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FT

FINANCIAL TIMES

MAY 16 / MAY 17 1998

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Weekend

Spies like them

'Bad plot for a B-grade film? A rejected storyline from Mission Impossible? No, it's another Mossad bungle'

Page I

Persistent son

'He cannot match his father for flamboyance but Steve Forbes could be a US presidential contender'

Page III

Weekend

Twist and go

'If you can sit upright and open the throttle, you can drive a scooter'

Page XI

Oceans apart

'I thanked my US real estate agent with flowers. I can't imagine anyone doing that in England'

Page XVI

Suharto tries to hold on as ruling faction defects

Foreigners flee after week of violence claims more than 200 lives

By John Hidding and Sander Thoenes in Jakarta

The challenge to President Suharto intensified yesterday as a faction of Indonesia's ruling Golkar party turned against him, foreigners fled, and bouts of looting continued in defiance of his orders.

Returning at dawn from an official visit to Cairo, Mr Suharto sought to reassert his authority and signal his intention to hold on to power.

Alwi Dahlan, information minister, denied earlier reports that Mr Suharto was prepared to step down, saying the process "must be conducted constitutionally".

In an attempt to defuse the gravest threat to his 32-year rule, the Indonesian leader reversed some of the economic reforms that sparked civil unrest over the past week in which more than 200 have died. The government said big price rises in oil and fuel, implemented last week, would now be cut.

Jakarta and several other cities remained tense yesterday, with armoured cars parked outside government buildings and hotels. Most businesses were shut and currency trading was halted.

In Jakarta, more than 100 bodies were discovered in two shopping centres that were apparently set ablaze by rioters late on Thursday.

The US and other governments condemned the violence and called for political reforms. However, US President Bill Clinton said the question of whether Mr Suharto should step down was up to the Indonesian people.

Fears of renewed unrest prompted an exodus from the country. Total, the French oil group, and Coca-Cola of the US, were among the latest companies to implement evacuation plans for expatriate families. The Jakarta staff of the International Monetary Fund, which agreed tough reform policies with Indonesia, left on a chartered aircraft.

The US warned its citizens to leave Indonesia as soon as possible, while Japan said it was considering the use of military aircraft to evacuate nationals should the situation deteriorate. China yesterday offered to help residents of Hong Kong and Taiwan caught in the unrest, which has frequently targeted ethnic Chinese.

The British foreign office said it was advising people in areas where there might be further violence to consider leaving. British Airways was laying on extra flights, it said.

Mr Suharto's decision to reduce fuel price rises signalled his willingness to sacrifice reforms included in an IMF rescue package for Indonesia's crisis-hit economy. With fresh looting in areas of Jakarta and Surabaya, the second largest city, attention remained firmly focused on the stance of the military. In a television address, Lt. Gen. Prabowo, the president's hardline son-in-law, said there was no split within the armed forces, and repeated threats to take firm action against rioters.

But cracks in President Suharto's traditional power base became apparent. Kosgoro, a faction within Suharto's ruling Golkar party, issued a statement demanding he resign. "If he won't step down peacefully, then we must force him to leave," said a Kosgoro leader in the first sign of rebellion within President Suharto's traditionally compliant political machine.

Wealthy Chinese flee, Page 3
Suharto profile and leaders who fail to quit, Page 6

Ale to the chief: US President Bill Clinton samples a pint of English beer yesterday ahead of the G8 conference in Birmingham. Editorial Comment, Page 8; Nuclear tension, Page 7; Lex, Page 24 Picture: AP

America says a fond goodbye to Ol' Blue Eyes

By Christopher Parkes in Los Angeles

The US woke yesterday to the news that Frank Sinatra had died in the night, and it broke into song.

Newscasts celebrated the entertainment icon's career with song and film clips in the almost total absence of the maudlin sentimentality commonly accorded America's popular heroes.

In sunny Los Angeles, the voice of "The Chairman of the Board" introduced the Fox 11 News weather forecast with "Every time it rains, it rains pennies from heaven".

"The way you wear your hat" bounced in the background of another channel's fashion segment.

MSNBC promised all-day Sinatra coverage, shelving plans for extensive dissection of its part-owner's Thursday night coup, when 79m viewers watched the final episode of NBC's *Seinfeld* comedy show.

The last saloon singer's light baritone oozed into every interstice as editors uncorked tributes in preparation since his heart attack of January, 1997. Daughter Tina remembered "Saint Francis", and Ernest Borgnine mourned the loss of a "great commodity", although he was neither.

In the real world, crowds gathered respectfully around monuments already installed in his honour. In Hoboken, New Jersey, where he was yanked into the world in 1915 bleeding from a torn ear – courtesy of the forceps applied to his 13lb bulk – tough riversiders brought flowers to a commemorative star embedded in the pavement. Fans swarmed around the two stars that the proto-type pop idol earned in Hollywood Boulevard's Walk of Fame and, for once, were careful not to walk on them.

Sinatra: Entertainment icon

In Las Vegas, where he earned notoriety as a consort of mobsters, his recordings replaced the piped pap usually deployed to mitigate the clatter of the slot machines.

Back on the small screen, the torrent of reminiscence was to prove inescapable even during the commercial breaks.

One moment an old friend was heard explaining one of Sinatra's less-known nicknames – Butter – coined by Sammy Davis Jr, because his star power meant no one who worked with him ever went without butter on the table.

Next up was Paul Anka, the man who wrote the lyrics to "My Way", earning his keep in a commercial for Denny's fast-food restaurants.

Obituary, Page 7

Pakistan resists US pressure over nuclear test

By Farhan Bokhari in Islamabad and Amy Louise Kazmin in New Delhi

Pakistan is continuing to resist US pressure not to conduct its first nuclear test in response to the five tests carried out by India this week.

After meeting Strobe Talbott, US deputy secretary of state, Gauhar Ayub Khan, Pakistan's foreign minister, said yesterday his country would do everything possible to defend itself against India.

In recent days western countries, led by the US, have urged Islamabad to restrain itself, fearful that a Pakistani nuclear test would increase the tension across south Asia.

Islamabad is under strong domestic pressure to respond to the threat apparently posed by the Indian nuclear tests, in spite of the risk of harsh economic sanctions.

Mr Khan said this week: "India's actions ... which pose an immediate and grave threat to Pakistan's security, will not go unanswered." Yesterday, asked whether he had changed his view, he said: "That's still our position." These remarks were the first indication Islamabad would refuse to accept calls for restraint.

Mr Talbott was guarded after meeting Mr Khan and other senior foreign office officials. "We came to consult with a good friend," he said. "It's particularly important that good friends like the US and Pakistan stay in the closest possible touch and understand each other's views at difficult times. This is a difficult time." Some Pakistani officials said recent suggestions of a quid pro quo involving Washington's agreement to supply 28 F-16 fighters would probably do little to break new ground. The aircraft have been held in the US since sanctions were imposed on Pakistan in 1990 because of the country's nuclear programme.

Some analysts said public postures might disguise progress on the issue of nuclear tests. "Pakistan is a great bargainer," said Eric Arnett, an expert in Asian security affairs at the Stockholm based Swedish International Peace Research Institute (Sipri).

"The Clinton administration is great in giving away bargains. Nawaz Sharif [Pakistan's prime minister] must know that Pakistan will suffer more than India from the sanctions." He said Pakistan's security would improve considerably if the US supplied the F-16s. But many in Pakistan have balked at the suggestion.

Diplomats in Islamabad said Mr Sharif's political position could be jeopardised if he was seen to be making such a deal. The country's small but well-organised groups of Islamists are expected to organise street protests at the first hint of a deal.

Pakistani officials said only a deal offering substantial incentives stood any chance of acceptance. The incentives include weaponry, writing off part of the country's foreign debt and commitments for economic aid.

Tension in the world, Page 7

News General

Hope of Kosovo progress

Yugoslav president Slobodan Milosevic and Ibrahim Rugova, the pro-independence leader of Kosovo's ethnic Albanian majority, met for the first time, with both sides calling their talks an initial step towards ending the growing conflict in Serbia's disputed province. Mr Rugova, self-styled president of the "Republic of Kosovo" that is recognised by no government, is expected to visit Washington soon. **Page 2**

Kentucky farmers call for rope, not dope

Dope or rope? A group of Kentucky farmers, seeking to grow industrial hemp but in effect prohibited by US drug laws, claims in a lawsuit that the US Drug Enforcement Agency is out of line. At issue is whether industrial hemp and marijuana are distinguishable products. They come from different varieties of the same plant. **Page 2**

Mexicans clamour for black market Viagra

In Mexico, where sexual impotence is considered sufficient grounds for divorce, a black market is developing for Pfizer's anti-impotence drug Viagra. The drug is expected to go on sale on prescription in a month, but demand is already so strong that the authorities have urged Pfizer not to talk about Viagra to the media. **Page 2**

Protestant terrorist group declares Ulster ceasefire

The Loyalist Volunteer Force, a breakaway Protestant terrorist group which has carried out a string of sectarian killings during the Northern Ireland peace talks, declared a ceasefire and called for a No vote in next week's referendum on the peace agreement. **Page 4**

Cyber-confrontation

Bill Gates, chairman of Microsoft, and Joel Klein, anti-trust division head at the US Justice Department, this week postponed their long-awaited showdown over alleged monopolistic practices by the world's largest software company. Which of these two shrewd and ambitious men will blink first?

Page 7

News Business

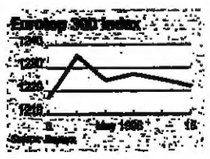
VW recalls all New Beetles

Volkswagen's aura of near-invincibility was punctured after Europe's biggest carmaker said it was recalling all the New Beetles it had sold. The recall, to correct potential chafing of wiring in the engine bay, comes after a very warm public reception for the new model, a modern version of the famous post-war Beetle, which went on sale in the US and Canada in March. **Page 24**

Dismal results from Japanese brokers

Japan's medium-sized brokers announced dismal results, illustrating the pressures on the sector as the country's Big Bang financial deregulation gets under way. Employment in the securities sector fell 10.5 per cent last year and staff levels in the industry are now 41 per cent below their peak in 1991. **Page 23**

European stocks higher despite rate fears



European stock markets were generally higher on the week, despite some nervousness about US interest rates and events in Asia. The CAC 40 in Paris passed 4,000 for the first time. But Russia suffered badly as investors fled for safer havens, with the RTS index falling 16.2 per cent over the five trading days. Low interest rates and hopes of corporate earnings growth continued to support equity prices. **London stocks, Page 17; World stocks, Page 21; Markets, Weekend FT Page XXII**

Paris agrees Crédit Lyonnais plan

The French government agreed to sell FFr680bn ($111bn) of Crédit Lyonnais assets in exchange for the European Commission's approval of a rescue package for the troubled bank. **Page 24**

Unilever pension fund sacks MAM

Mercury Asset Management, the UK's largest fund manager, now owned by US investment bank Merrill Lynch, has been sacked as a fund manager by the pension fund of Unilever, the consumer group. The move follows poor performance by MAM in managing the £1bn ($1.7bn) Unilever fund. **Page 24**

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Contents

News		**Companies**		LSE dealings	21
International News	2,3	Companies and Finance	22,23	Managed funds	10-16
UK News	4	**Markets**		Money markets	9
Weather	24	FTSE Actuaries	17	Recent issues	17
Lex	24	FT/S&P-A Wld Indices	23	Share information	18,19
Features		Foreign exchanges	9	World commodities	8
Leader Page	6	Gold markets	23	Wall Street	20,21
Letters	6	Equity options	17	Bourses	20,21
Men in the News	7	London SE	17	FT Weekend	Section II

Albania LEK300 Algeria Din35 Bahrain Din1.500; Barbados $2.00 Belgium BF60 Canada C$2.00; China Rmb20.00 CIS US$4.00 Croatia Kn18.00; Cyprus C£1.35 Czech Rep Kc35 Denmark DKr21.00; Egypt E£3.50 Estonia EKr34.00 Finland FMk16.00; France FFr12.50 Germany DM4.20 Gibraltar £0.75; Greece Dr450 Hong Kong HK$20 Hungary Ft350; Iceland IKr295 India Rup75 Indonesia Rp5,000; Ireland IR£1.00 Italy L3400 Japan Y600 Jordan JD1.75; Kazakhstan US$4.00 Korea Won 3000 Kuwait Fils750; Lebanon LL3,500 Lithuania Litas21.00 Luxembourg LFr60 Macedonia DEN140.00 Malaysia Rm5.50; Malta Lm0.75 Morocco Dh10.00 Nigeria Naira123.00 Netherlands Fl5.00 Norway Nkr23.00 Oman OR1.75; Pakistan Rs50 Philippines Peso 60 Poland Zl 10.00 Portugal (mainland) Esc280 Qatar QR13.00; S.Arabia Rlyl3.00 Singapore S$4.20 Slovak Rep Sk100 South Africa Rand8 Spain Pta275 Sri Lanka Rup50; Sweden SKr22.00; Switzerland SFr3.80; Taiwan NT$5; Thailand Bht85; Tunisia Din2.000 Turkey L200,000 UAE Dirh3.00; USA $1.00; Ukraine USD 4.50; Fr Yugoslavia YUD25.00
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WORLD NEWS

ETHNIC CONFLICT MEETING WITH YUGOSLAV PRESIDENT INDICATES 'READINESS TO MOVE AHEAD TO POLITICAL SOLUTION OF CRISIS'

Kosovo leader in first talks with Milosevic

By Gary Dinmore in Belgrade

Slobodan Milosevic, Yugoslav president, and Ibrahim Rugova, the pro-independence leader of Kosovo's ethnic Albanian majority, met for the first time yesterday, with both sides saying their talks were a step towards peace in Serbia's disputed province.

The two agreed their negotiating teams would meet next Friday in Pristina, the capital of Kosovo. Mr Rugova, accompanied by four advisers, dropped his demand that foreign mediators play a direct role in the talks but made it clear the US would remain closely involved.

Richard Holbrooke, the US envoy who achieved what he called a "procedural breakthrough" in getting the two sides to talks after three months of spreading violence, stayed in touch with events by telephone from a conference in Scotland. He said he was ready to return whenever needed.

Diplomats expect the US and its European allies to lift an investment ban imposed this month on Serbia if Belgrade demonstrates it is committed to serious negotiations and holds its security forces in check.

Mr Rugova, the self-styled president of the "Republic of Kosovo" that is recognised by no government, met US diplomats before and after his talks with Mr Milosevic. He is expected to visit Washington soon.

"It seems there is a readiness to move ahead to a political solution of the Kosovo crisis," Mr Rugova said, describing the atmosphere of the 90-minute meeting, held in Belgrade's ceremonial White Palace, as one of "tolerance and understanding". He told reporters he had presented his demands for independence for Kosovo but declined to give Mr Milosevic's reply.

The Kosovo Albanian team also called for the withdrawal of special Serbian police units that allegedly massacred villagers in raids on suspected strongholds of the separatist Kosovo Liberation Army (KLA) in February and March.

Mr Milosevic, who leads an increasingly reclusive existence in Belgrade, did not meet reporters, but said in a statement that "this meeting could be considered as the start toward a peaceful solution of the Kosovo crisis".

The Yugoslav president has proposed strictly limited autonomy for the province's estimated 2m people, 90 per cent of whom are ethnic Albanians. The international community is urging substantial self-rule.

Veton Surroi, a member of Mr Rugova's negotiating team, said the talks were "an optimistic first step" but that "serious and deep differences" remained.

Western diplomats expressed satisfaction that peace talks would continue but feared that the KLA, which has also demanded a place at the negotiating table, would step up its low-level guerrilla war. Mr Rugova, a moderate, has no control over the KLA.

More than 150 people have died this year in a conflict that threatens the stability of neighbouring Albania and Macedonia.

Analysts say Mr Milosevic, who fanned the flames of Serb nationalism in Kosovo to fuel his rise to power a decade ago, is using the conflict again to shore up his authority and undermine rivals in the other Yugoslav republic of Montenegro.

Mexicans in rush to be macho on prescription

By Henry Tricks in Mexico City

In Mexico, where sexual impotence is considered grounds for divorce, a black market is developing for the little blue pill called Viagra.

Pfizer's anti-impotence drug, which has become the fastest selling new drug in history just weeks after its launch in the US, has been approved in Mexico by the health ministry and is expected to go on sale on prescription in a month.

But so strong is demand for the drug among Mexico's macho males, that the Mexican authorities have urged Pfizer not to talk about Viagra to the media, saying its pre-sale marketing efforts should be directed only at doctors and chemists.

The government also had to call a press conference to warn Mexicans the drug could have side effects, and should not be used by healthy people to improve sexual performance. "This drug will not work for every kind of impotence and, more importantly, it is not an aphrodisiac," Francisco Higuera, a senior health ministry official, said. Pfizer has been similarly cautious in the US, saying "adverse events" in clinical trials included headaches, flushing and abnormal vision.

Undeterred, Mexican men are already searching for advance batches of the drug among the sex-aid and stolen electronic goods stalls in Mexico City's black market labyrinth, Tepito.

"The pills are stolen in the US and brought down here, that's why they've got no label," whispers a young vendor pulling a package of pale blue tablets from behind the jars of unguents he sells. "We're getting

about 10 customers a day."

It is no surprise that in a country where some men wear their machismo like a belt buckle, a pill to prevent impotence is likely to be a big seller. The health ministry estimates the problem affects up to 10 per cent of the adult male population and in Mexico City food markets, herb sellers do brisk business with teas to boost "sexual appetite". They say clients often are older men trying to keep up with their mistresses.

Doctors who treat impotence say Mexican men – especially those above 50 – are starting to overcome taboos and consulting them about their sexual ailments, albeit often at the insistence of their female partners.

"This is one of men's main problems now," says Carlos Millan, a urologist in the northern border city of Ciudad Juárez. "If he doesn't have the right sexual responses, his wife will kick him out."

Dr Millan is one of a few Mexican physicians who is providing Viagra to patients already. He says he has issued 60 prescriptions in the last few weeks, receiving the drugs via mail order from the US.

Demand is strong, though the cost of the drugs at some $10 a pill is prohibitive for many Mexicans who earn half that amount a day. Dr Millan's patients include Americans who have crossed the border hoping Viagra will be cheaper in Mexico.

But Mexicans have not been put off by the price or the scarcity of the pills. "People are already coming in, speaking in a low voice, asking for Viagra," says Policarpo Villalva, head of the Chemists Union in Ciudad Juárez. "Before, all they would hear was their friends telling them to go and visit the lady next-door."

'Orange Marilyn': $17.3m

Andy Warhol's "Orange Marilyn", a silkscreen portrait of Marilyn Monroe, has been sold in New York for $17.3m – more than four times the previous highest price paid for a Warhol, writes Antony Thorncroft. The picture, one of five silkscreens based on a 1952 publicity photo of the actress, is one of Warhol's best known images.

An anonymous buyer paid way above the $8m estimate for the work at Sotheby's sale of contemporary art on Thursday. The previous $4m record for a Warhol was paid for "Red Marilyn" in the same series in 1989. The auction house said the picture was "one of the key icons of the 20th century and could some day be worth as much as a de Kooning or a Picasso".

Lucian Freud's 1982 painting of his daughter Bella and friends was sold for $5.83m to the dealer Lucy Mitchell-Innes, four times higher than the previous best for a Freud, and the highest for a living British artist. The painting "Large Interior, W11 (after Watteau)" was sent for sale by Freud's former dealer, James Kirkman.

Kentucky farmers take potshot at US drug law

By Nikki Tait in Chicago

Dope or rope? A group of Kentucky farmers, seeking to grow industrial hemp but in effect prohibited by US drug laws, yesterday marched into court, claiming that the US Drug Enforcement Agency is out of line.

In a lawsuit filed in the federal district court in Lexington, they maintain that the US Congress never intended to prohibit the legitimate production of hemp when it passed the Controlled Substances Act – and that since there is no federal mandate, it should be left to individual states to decide whether hemp can, or cannot, be grown.

At issue is whether industrial hemp and marijuana are distinguishable products. They come from different varieties of the same plant – known as "Cannabis Sativa". To date, US drug enforcement agencies have argued that if industrial hemp is permitted, the country's marijuana laws would be undermined, since the seedlings of the two products look the same and even the mature plants are hard to distinguish.

The Kentucky farmers, by contrast, claim that hemp and marijuana are botanically and legally distinct crops and should be treated differently.

The farmers – seven individuals and a co-operative representing about 100 growers – say that one of the reasons they need the additional crop is that there is declining demand for tobacco, a local agricultural mainstay in Kentucky. It has estimated that as many as one-fifth of Kentucky's inhabitants depend, at least in part, on tobacco for their livelihoods, and it is an important cash crop on about three-quarters of the state's 88,000 farms.

US drug enforcement agencies say if industrial hemp is permitted, the marijuana laws would be undermined

Michael Kennedy, the high-profile New York-based lawyer representing the farmers, points out that if his clients went ahead and planted industrial hemp they could risk having their farms seized and being charged with growing marijuana.

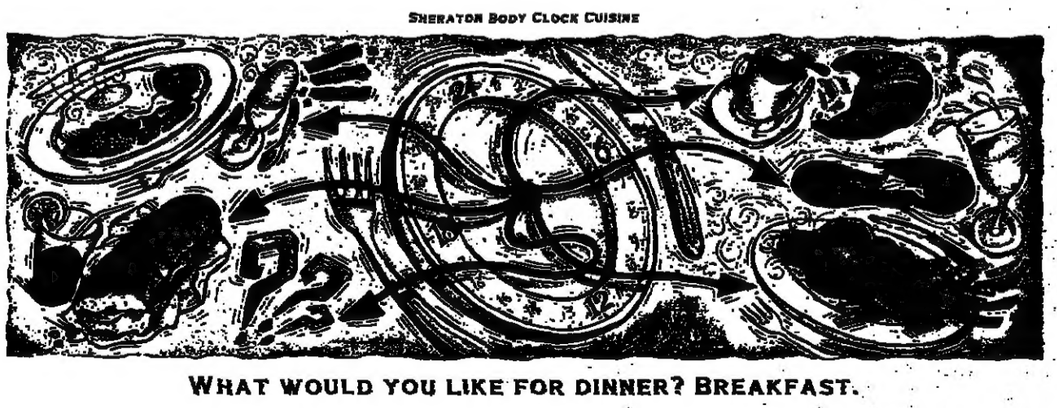
The farmers may have international opinion on their side. As new varieties of industrial hemp have been developed with decreasing amounts of tetrahydro cannibol (the active ingredient in cannabis), a growing number of European countries – including France, Germany, the UK and the Netherlands – have permitted its cultivation. Most recently, Canada has also abandoned its objections, meaning that the crop will soon be grown on America's doorstep.

Opponents of industrial hemp sometimes argue that the crop – which is used as fibre in textiles, building material, pulp and paper products and the like – is not cost-effective, and can be replaced by cheaper artificial alternatives.

But in this case, the farmers are being joined in their suit by the Hemp Company of America, a private company that retails hemp products and will offer a market for their crop. Advocates of hemp, meanwhile, point to its environmentally friendly credentials – such as the relatively small need for agrichemicals and water during the growing process.

And, as Mr Kennedy points out, hemp was good enough for the American settlers – not to mention the likes of George Washington and Thomas Jefferson. A US company even has a mill in France which produces hemp paper, he says. The reason? It is preferred for Bibles, because it is durable and doesn't yellow.

SHERATON BODY CLOCK CUISINE



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NEWS DIGEST

RUSSIAN AUSTERITY

Deputies back Kiriyenko in belt-tightening drive

Sergei Kiriyenko, Russia's new prime minister, yesterday won parliamentary backing for an emergency government belt-tightening plan, as the new cabinet sought to appease unpaid workers and sceptical investors. The decision followed a central bank move to raise a key interest rate in an effort to prop up the rouble and reassure Russian markets, whose home-grown jitters have been exacerbated by the turmoil in Asia.

Persuaded by a personal appearance by the prime minister, the Communist-dominated parliament backed a bill which would slash by 25 per cent administrative spending by the government, Kremlin and parliament.

The measures, which Mr Kiriyenko said would save more than Rbs500m ($82m), are part of a government scramble to revive Russia's ailing public finances. The country's benchmark share index has fallen nearly 13 per cent over the past week, more than double the decline in other emerging markets. Share prices have fallen by more than 50 per cent since October. Charyssia Freeland, Moscow

MIDEAST PEACE

Netanyahu wins backing

Benjamin Netanyahu, Israeli prime minister, returns home tomorrow from the US after enlisting fresh support from Republicans to block pressure by the Clinton administration, which wants Mr Netanyahu to hand back 13.1 per cent of land to the Palestinians.

During his talks with Madeleine Albright, secretary of state, Mr Netanyahu said Israel would not hand over more than 9 per cent to the Palestinians in a second troop pullback from the West Bank, even though the Palestinians have accepted the US plan. Newt Gingrich, speaker of the House of Representatives, Trent Lott, Senate majority leader, and other senior Republicans have criticised the administration for exerting undue pressure on Israel.

US officials said Mr Netanyahu's intransigence could fuel unrest in the West Bank and Gaza after Israeli troops killed nine Palestinians on Thursday. Judy Dempsey, Jerusalem

AIRLINE LINK-UP

Star Alliance to expand

The Star Alliance, the six airline international partnership, yesterday celebrated its first anniversary by announcing that Air New Zealand and Ansett Australia will join next year. The alliance, – made up of Lufthansa of Germany, United Airlines of the US, Scandinavian Airlines System, Thai Airways, Air Canada and Varig of Brazil –, is the biggest international aviation link-up. The carriers are attempting to co-ordinate flight schedules and have pooled frequent flyer programmes.

British Airways and American Airlines are planning a rival alliance, which could include Qantas of Australia, Japan Airlines, Iberia of Spain, US Airways and Canadian Airlines. However, BA and American have yet to receive approval from regulators in Brussels and Washington to begin co-operating. Michael Skapinker, London

ITALIAN MARKET REGULATION

Top economist to head Consob

Luigi Spaventa, one of Italy's foremost economists, was yesterday named as the next president of Consob, the stock market regulatory authority. In a move seen as a mild victory for the Party of the Democratic Left (PDS) inside the government coalition, Professor Spaventa is to take over from Tommaso Padoa-Schioppa, who was recently appointed to the board of the new European Central Bank.

Consob is becoming an increasingly important institution in Italy, given the need now to apply new corporate governance rules agreed earlier this year. James Blitz, Rome

SINGAPORE AIRLINES

Airbus clinches $2bn order

Singapore Airlines has ordered five long-range Airbus A340-500s, with options on a further five, in an order worth $2bn at list prices. The aircraft, which carry 313 passengers each, will be used to fly non-stop from Singapore to the US west coast. They will be powered by Rolls-Royce engines. The UK manufacturer is the sole supplier of engines for the new A340 models. Michael Skapinker

US ECONOMY

Production edges higher

US industrial production rose 0.1 per cent in April, led by stronger than expected gains in cars and business equipment, the Federal Reserve Board said in its monthly report yesterday. This followed a gain of 0.3 per cent in March.

Despite the price competition stemming from low-cost Asian competition, manufacturing production rose 0.3 per cent after two months of decline. Manufacturing capacity is up 5.4 per cent from a year ago.

The capacity utilisation rate for the sector fell to 80.8 per cent. Gerald Cohen of Merrill Lynch said capital spending was still strong so capacity would continue to grow, exerting further deflationary pressures. Nancy Dunne, Washington

MICROSOFT LAWSUIT

Legal wrangling continues

Talks between Microsoft and the US government continued yesterday as the software giant made its 11th-hour attempt to head off a landmark antitrust lawsuit. The group has agreed to delay shipping Windows 98, the latest version of its operating software, until Monday while talks continue over the weekend. In exchange, the government and several states have agreed to put their lawsuits on hold for a short time.

The case hinges on accusations that Microsoft has abused its monopoly power by seeking to crush its industry rivals – in particular Netscape Communications, its competitor in internet browser software. Richard Wolffe, Washington

MOBILE TELEPHONES

Link to ailments under study

Swedish researchers said yesterday they had found an apparent link between using mobile telephones and fatigue, headaches, and tingling and heat sensations in the ear and skin. In the only comprehensive study to date on the health effects of mobile phone use, a survey of about 11,000 Swedes and Norwegians showed the symptoms increased the more frequently people used their telephones.

However, people who use mobile phones often may also have a stressful lifestyle, which could be a contributing factor. This could not be tested by the study. Reuters, Stockholm

Asian crises cast shadow over summit

By Gerard Baker in Birmingham

The leaders of the world's seven leading industrial economies and Russia began three days of discussions yesterday, but their planned talks on improving the functioning of the world economy looked likely to be overshadowed by the situation in Indonesia and the Indian sub-continent.

As the heads of government held face-to-face sessions in an atmosphere of mounting uncertainty in Asia, there was little sign they would agree on any concrete proposals for dealing with either crisis.

But US and Japanese leaders did strike a more cordial tone than in recent sessions between the two countries, and signed a new agreement under which Japan promised to deregulate more domestic markets.

There were widespread calls from most of the leaders for a halt to the violence in Indonesia and they urged President Suharto's government to speed the process of political and economic reform.

"Resolving the crisis now requires not only economic reform but also a genuine dialogue between the government and all the elements in society to try to determine how they should go forward," said President Bill Clinton.

On India, there were once again words of condemnation for New Delhi's nuclear tests this week, but officials suggested there was unlikely to be agreement to copy the US lead and impose sanctions on India.

Mr Clinton met Ryutaro Hashimoto, the prime minister of Japan, and urged him to take measures to resolve the Japanese financial crisis.

The US has been pressing Japan for some time to sort out the bad loan problems of its banks, but the tone of yesterday's discussions seemed to be softer than the hectoring note struck by senior US officials in recent weeks.

Against a background of international uncertainty, Mr Clinton was reluctant to be seen leaning too hard on Japan, especially as Tokyo is the one country to have joined the US so far in imposing sanctions on India.

"On balance the American people should feel good about our relationship with Japan and very good about the leadership Japan has been exercising in the world," Mr Clinton said.

A further reason for the warmer words between the two was that the US and Japan agreed yesterday that Tokyo would take a series of measures to deregulate various domestic markets, in an effort to open them up to foreign trade.

INDONESIAN ANARCHY BUSINESS PEOPLE AND IMF OFFICIALS RUN FOR THE AIRPORT AS RIOTERS LOOT AND BURN

Wealthy Chinese flee Jakarta mob

By John Ridding in Jakarta and Sheila McNulty in Singapore

Cathay Pacific flight CX777 to Jakarta is "wide open", said the ticket agent at Hong Kong's Airport yesterday morning. "But are you sure you want to go?"

For those in Jakarta, there was no point even posing such as question. It was one-way traffic out of the Indonesian capital as expatriates, ethnic Chinese and a flock of other anxious travellers sought to flee the violence and anxiety of recent days.

"We wanted to get out on Thursday, but the roads to the airport were blocked and we had heard that cars were being hijacked," said Chee Lo, a trader seeking to join relatives in Hong Kong.

Like others from Indonesia's ethnic Chinese community, a target of the recent riots, he hoped to return if the situation stabilised. Not everyone shared that sentiment. "No way will I be back," was the curt response of one departing mother.

"It's a jungle out there. A lot of wild animals. They feel jealous at why we have so much while they do not have even enough to eat," said one man from the Chinese community arriving in Singapore.

Rioters attack a portrait of Indonesia's wealthiest man, Lim Sioe Liong, after looting and burning down his house. He and other ethnic Chinese, who control much of Indonesian business, have been the target of mob violence Reuters

The man, who identified himself only as a government exporter, and 15 other members of his family had waited 10 hours for a flight to Singapore. But the exporter said the family would return when the situation was back under control. "Most of the people fleeing, almost 90 per cent, will go back. Our rice bowl is there," he said.

Many of the Indonesians pouring off aircraft in Singapore yesterday were too drained to speak. Those who did told of guarding their homes with clubs, bats, whatever they could get their hands on. Others had sought sanctuary in hotels. Though they had wanted to flee as violence broke out, many were terrified of heading out into the streets. They had heard of friends who had been blocked by stone-throwing mobs or even robbed of their luggage.

Meanwhile, families of foreign businessmen, diplomats and students joined the queue to leave the Indonesian capital. Even the International Monetary Fund – architect of Indonesia's painful reform programme – took flight. The Fund's Jakarta staff left the country on a chartered aircraft before dawn.

Many foreign governments have advised nationals in Indonesia to leave and not to visit unless strictly necessary. But even those staying in Jakarta are taking precautions – moving about as little as possible, or checking into hotels. The armoured cars parked outside provide a measure of reassurance, but also a reminder of the country's plight.

Most who fled are ethnic Chinese, who control much of the business in Indonesia and, therefore, are the target of the masses. At Singapore airport, a well dressed woman who identified herself as En Ny said she and her husband had thought of moving to another country, but were put off by how difficult it would be. They hoped one day to pick up their lives where they had left off when the crisis began.

A few foreigners who had been in Jakarta on business were clearly distraught at the experience. One told of being turned back several times on the way to the airport.

Another, who went into Jakarta three days ago to negotiate a deal for a company in Texas, said the mobs ransacked the five-star hotel in which he was staying and attempted to set it on fire.

"I have travelled all over the world for years and years and never seen such uncensored mass thuggery, thievery, and with soldiers in partnership with them. They have got a lot to answer for," said the man, who feared his negotiations might be undermined if he identified himself.

SEC chief slates mutuals

By John Authers in Washington

Arthur Levitt, chairman of the US Securities and Exchange Commission, yesterday launched a strong attack on the way mutual funds are sold, and raised doubts over whether private sector fund managers were ready for the extra responsibilities they would gain if the social security system was privatised.

He also unveiled plans to strengthen the corporate governance of mutual funds, with a much more interventionist role for funds' directors. His speech, delivered to the annual conference of the Investment Company Institute in Washington, follows data showing that sales of mutual funds are on course to set new records this year, and heighten growing concern that many savers hold investments which they do not understand.

"The financial literacy of Americans has not kept pace with the growth of fund investments or investor satisfaction. Three quarters of all workers have no idea of how much they need to save for retirement."

He said this was "downright frightening when you imagine a privatised social security system, in which workers' basic economic well-being could depend totally upon their own investment savvy".

Mr Levitt complained that concessions the commission introduced last year to allow for simplified fund prospectuses had not been taken up uniformly by companies in the industry. "We're chagrined to hear that some of you intend to make only a few cosmetic changes and mostly leave your prospectuses as they are – the same dense, legalistic presentations that investors don't want, don't understand and don't read. We are not looking for a little bit of window dressing on the same old recycled gobbledygook," he said.

Much mutual fund advertising rests on presenting performance records, with almost all new cash going to funds with the top two ratings from Morningstar, the largest agency which ranks fund performance.

Alarm as triad violence takes grip on Macao

By John Ridding

Shortly after his car had been blown up by suspected gangsters early this month, Antonio Marques Baptista, one of Macao's top crime-fighters, swooped to arrest Wan Kuok-kuo (*aka* "Broken Tooth"), the alleged head of the 14K triad gang.

Since then, the tiny Portuguese enclave in southern China has been rocked by reprisal bomb attacks.

It might sound like the plot of a gangster movie – perhaps a scene from *Casino*, the story of a triad kingpin funded by "Broken Tooth" himself. But the wave of violence is all too real. It provides painful viewing for Beijing, Lisbon and neighbouring Hong Kong, and is giving Macao a significance out of proportion to its size.

Having drifted through the margins of history since Portuguese settlers arrived more than 400 years ago, final preparations are under way for the enclave's return to China in December next year. Beijing wants to repeat the success of Hong Kong's smooth handover and to send a further advertisement to Taiwan, the main target of its reunification drive. But while a giant countdown clock was unveiled last week in Tiananmen Square, propaganda has been replaced by preoccupation with the rising crime.

If the upsurge in violence clearly complicates China's task, it also comes as an embarrassment to the Portuguese administration. Macao officials have long lauded the absence of diplomatic wrangles which marred Hong Kong's handover. Now they are struggling to restore law and order. Not that the authorities in Hong Kong can take any satisfaction. They worry that Macao's troubles could make the short trip across the murky waters of the Pearl river delta.

Behind all these concerns lies the surprising amount of money generated in Macao and, in particular, its casinos. The casino monopoly generated profits of $579m in 1996 – more than $1,000 for each resident. Taxes on the takings at the casinos' tables represent about half of Macao's budget.

That is clearly tempting for the triads, which have tried to chip away at the grip of Stanley Ho, the urbane tycoon at the head of Sociedade de Turismo e Diversoes de Macao, which holds the gambling monopoly. Turf wars for a slice of the vice industries surrounding the casinos have become ever more violent, exacerbated by the regional economic downturn.

As in previous bouts of violence, the authorities express confidence they can handle the challenge. Police raided a bomb factory and made a dozen arrests last Monday. Agents have reportedly been dispatched from Portugal's intelligence services to bolster local efforts. "These troubles will be over soon," says Mr Ho.

But Mr Ho said the same thing in 1996 – and the triads have not been listening. Instead, the growing number of attacks and their increased audacity have prompted signals of alarm from across the border. Qian Qichen, China's former foreign minister and head of a committee overseeing Macao's return, last week called for "major measures and policy-style suggestions" to deal with the security issue. Troops in Zhuhai, a short march from Macao, have been reinforced in a warning to the triads.

The big question now is whether they will cross the border to restore order after the handover, or possibly in the coming months. Officials in Macao say that will not be necessary, while Mr Ho insists the local police can deal with the situation. But a growing number of Macao's residents view the People's Liberation Army (PLA) as a potential source of stability.

Given the trepidation which usually surrounds the PLA, that is a clear measure of Macao's anxiety.

United Kingdom
Debt Management Office

ISSUE OF £3,000,000,000

6% TREASURY STOCK 2028

INTEREST PAYABLE HALF YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 20 MAY 1998

PAYABLE IN FULL WITH APPLICATION

With a competitive bid
With a non-competitive bid

Price bid plus accrued interest
£108 per £100 nominal of Stock

Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 21 May 1998.

Auction of Stock

1. THE UNITED KINGDOM DEBT MANAGEMENT OFFICE ("the DMO") invites bids for the above Stock.

General

2. This prospectus is issued under the arrangements described in the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock published by the DMO on 12 May 1998 (the "Information Memorandum"). The terms of the Information Memorandum apply to the above Stock and to the auction described in this prospectus except where expressly varied.

Maturity

3. The Stock will be repaid at par on 7 December 2028.

Interest

4. Interest is payable half-yearly on 7 June and 7 December. The price payable for this further issue of the Stock will include an amount equal to accrued interest from 29 January 1998 (the original issue date of this Stock) to 21 May 1998 (the settlement date of this further issue) at the rate of £1.84110 per £100 nominal of Stock. This further issue of the Stock will rank for the first interest payment due on 7 June 1998 at the rate of £2.1205 per £100 nominal of Stock.

National Savings Stock Register

5. The Stock may be held on the National Savings Stock Register. It is intended that holdings of stock on the National Savings Stock Register will be transferred to the Register maintained by the Bank of England. The date and details of the transfer will be announced in due course; no action is required by stockholders on the National Savings Stock Register in respect of the transfer.

FOTRA exemptions

6. The Stock and the interest payable on it will benefit from the exemptions in favour of non-resident holders described in paragraph 44 of the Information Memorandum.

Gross payment of interest

7. Interest will be paid without deduction of income tax. However, stockholders on the Bank of England Register may elect to have UK income tax deducted from interest payments on application to the Bank of England.

Stripping

8. The Stock may be stripped and holdings of Stock reconstituted.

Methods of application

9. Bids may be made on either a competitive or non-competitive basis in accordance with paragraphs 31 to 38 of the Information Memorandum.

Non-competitive bids: amount payable on application

10. The amount payable on application in the case of a non-competitive bid (except in the case of a non-competitive bid made by a gilt-edged market maker) is £108 per £100 nominal of Stock.

Latest times for receipt of applications

11. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP, who are acting on behalf of the DMO, to arrive not later than 10.30 AM ON WEDNESDAY, 20 MAY 1998; or lodged by hand at the DMO, Cheapside House, 138 Cheapside, London not later than 10.30 AM ON WEDNESDAY, 20 MAY 1998. Gilt-edged market makers may bid by telephone to the DMO not later than 10.30 AM ON WEDNESDAY, 20 MAY 1998.

Bids irrevocable

12. Bids will not be revocable between 10.30 am on Wednesday, 20 May 1998 and 10.00 am on Tuesday, 26 May 1998.

UNITED KINGDOM DEBT MANAGEMENT OFFICE
LONDON
12 May 1998

The *United Kingdom* Debt Management Office is an *Executive Agency of HM Treasury*

APPLICATION FORM FOR 6% TREASURY STOCK 2028

Complete Section 1 or 2, plus Sections 6 and 8. Sections 3, 4, 5 and 7 should also be completed where appropriate.

TO THE UNITED KINGDOM DEBT MANAGEMENT OFFICE

I/We apply in accordance with the terms of the prospectus dated 12 May 1998; and the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock dated 12 May 1998 (the "Information Memorandum") as follows:-

FOR COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the price bid, plus accrued interest)
See notes (a) and (b) below.

Nominal amount of 6% Treasury Stock 2028 applied for:

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

£

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:

£	32nds

PLUS accrued interest at the rate of £1.84110 per £100 nominal of Stock:

£	p
1	84.110

Total amount payable per £100 nominal of Stock (excluding accrued interest):

£	p

Amount required for payment IN FULL AT THE PRICE BID, plus accrued interest: £

FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-competitive sale price, plus accrued interest, as defined in the Information Memorandum)
See notes (c) and (d) below.

Nominal amount of 6% Treasury Stock 2028 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed, being £108 for every £100 NOMINAL of Stock applied for: £

FOR CGO MEMBERS ONLY

CGO Participant Number .....

Name of Contact ..... Telephone Number .....

REGULATED FINANCIAL INSTITUTIONS ONLY
(unless Section 3 applies)

Name of Regulator .....

Membership/Reference Number .....

Country/Territory of Regulator .....

THIS SECTION TO BE COMPLETED BY APPLICANTS ACTING AS AGENT FOR ANY THIRD PARTY
(unless the applicant is a CGO member or is an EEA regulated financial institution, and Section 3 or 4 has been completed)

Full name and permanent address of each third party:

FORENAME(S) AND SURNAME(S)	*ADDRESS (including postcode)*

If additional space is required, please continue on separate sheet.

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that Stock sold to me/us be registered in the undermentioned name(s) and that any certificate be sent by post at my/our risk to the first named holder at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the person(s) on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION 3, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 9 Account (Participant number 5989) by the deadline for such deliveries on 21 May 1998, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

IN THE CASE OF AN APPLICATION MADE ON BEHALF OF A THIRD PARTY, I/we have obtained and recorded evidence of the identity of each person on whose behalf I am/we are applying, and I/we will on demand make such evidence available to the DMO or the relevant supervisory authority.

Date ..... SIGNATURE(S) ..... of, or on behalf of, applicant

DETAILS OF APPLICANT(S)
(If not the person(s) in Section 8)

FORENAME(S) AND SURNAME(S)	*ADDRESS (including postcode)*

REGISTRATION DETAILS
Stock may be registered in the names of individuals or a corporate body.
CAPITAL LETTERS PLEASE

Title	Forename(s) in full	Surname
Address		
		Postcode
Title	Forename(s) in full	Surname
Address		
		Postcode
Daytime Telephone Number (in case there is a query)		

FOR BANK OF ENGLAND USE

Box No.	Exd.	Transaction Number
663		166/
New Account No.		Cert. Posted Date

The Stock will be registered on the Bank of England Register, unless you wish the Stock to be registered on the National Savings Stock Register (NSSR) (for which there is a maximum limit of £25,000 nominal of Stock) or at the Bank of Ireland, Belfast, in which case please tick the appropriate box. NSSR ☐ BELFAST ☐

NOTE: For holdings on the Bank of England Register, interest payments on this Stock will be paid without deduction of United Kingdom income tax unless the box below is ticked. I/We request that tax is deducted from interest payments on my/our holding of this Stock. ☐

NOTES

(a) A competitive bid may not be made by an applicant as agent for any third party unless the applicant is a member of the CGO or is an EEA regulated financial institution.

(b) Except in the case of members of the CGO Service who have completed Section 3, a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58580009) quoting the reference "AUCTION", to arrive not later than 1.30 pm on Thursday, 21 May 1998. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the UK.

(c) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues"; and must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The DMO reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. An applicant lodging an application form in person should bring evidence of identity bearing the applicant's photograph (for example a passport) and evidence of the applicant's name and address from a third party, for example a recent bill from a gas, electricity or telephone company or a bank or building society statement.

(d) The procedure for any refund, or further amount payable, is set out in the Information Memorandum.

(e) The terms on which the Stock may be stripped and reconstituted are contained in the Information Memorandum.

LOYALIST VOLUNTEER FORCE MASKED MEN IN PROTESTANT STRONGHOLD CALL FOR 'NO' VOTE IN NEXT WEEK'S REFERENDUM

N Ireland gunmen announce ceasefire

Financial Times Reporters in Belfast and London

The Loyalist Volunteer Force, the breakaway Northern Ireland Protestant terror group which carried out a string of sectarian killings during the peace talks, last night declared an unequivocal ceasefire and called for a "no" vote in next Friday's referendum on the peace agreement.

In front of cameramen in Portadown, the group's main stronghold, a number of armed masked men in combat-style clothing made the announcement, condemning the agreement as a sell-out, and warning that "Northern Ireland is lost forever".

The LVF stepped up its campaign of terror against Roman Catholics after Billy Wright, its leader, was murdered inside the high-security Maze prison by the Irish National Liberation Army in January. The INLA, military wing of the Irish Republican Socialist party, is a dissident republican group opposed to the peace process.

The LVF move coincides with new attempts to secure a "yes" outcome with Viscount Cranborne, leader of the opposition Conservative party in the House of Lords, and Kate Hoey, a Labour MP born in Northern Ireland, set to join forces on the campaign trail on Monday in a gesture of cross-party support for the peace deal.

Tony Blair, the UK prime minister, and William Hague, the opposition Conservative party leader, have sanctioned the move in a concerted attempt to secure majority backing among wavering anti-nationalist communities.

The two-day tour by the two politicians is a measure of the wide concern that the "no" camp is making headway in Northern Ireland. While a "yes" verdict is widely expected in the all-Ireland ballot, ministers fear anything less than a majority endorsement among anti-republican "unionists" could undermine the result and pave the way for the hard-line Democratic Unionist party to make gains in next month's elections to the new power-sharing assembly.

The joint trip will take in schools and church communities in Londonderry and Ballymena. "We both had doubts at first, but we feel this is the best way forward," Ms Hoey said.

Mr Blair is expected to make a further trip to Northern Ireland before Thursday's vote. But his attempts to allay unionist fears over the arms issue was dealt a blow, with Jeffrey Donaldson, an Ulster Unionist MP, saying there were still "ambiguities and omissions" in Mr Blair's comments.

David Trimble and John Hume, leaders respectively of the Ulster Unionists and the moderate nationalist Social Democratic and Labour party, are also expected to share a platform next week to boost the "yes" camp.

A poll carried out this week, published in yesterday's Irish Times, shows a drop in support for the agreement in the North from 73 to 56 per cent.

Small businesses back peace deal

Small businesses in Northern Ireland called yesterday for a "yes" vote in next Friday's referendum on the peace agreement. The Northern Ireland Regional Committee of the Federation of Small Businesses called a meeting of members to discuss views. Bill Jeffrey, chairman of the regional committee, said: "For too long the Troubles have been an economic millstone around the necks of business, it is time to look to the future. We believe a yes vote will convey the right message to potential inward investors. Stability will lead us to economic growth and encourage tourism, but peace is the essential ingredient."

The committee believed that compromise was the solution. The Northern Ireland section of the Confederation of British Industry, the UK's principal employers' organisation, has also called for a yes vote.

Decision on extra Heathrow terminal edges slowly nearer

Opponents protest that the new facility will amount to an extra airport, **Gautam Malkani** and **Michael Skapinker** report

No one could accuse the Heathrow Terminal Five inquiry of being anything less than thorough. It spent two days discussing whether fish would be able to swim through new culverts. The fish, the inquiry heard, might be dissuaded because they could not see light at the end of the tunnel.

Lawyers, environmentalists and airport executives know how they feel. The inquiry, already the longest in UK history, marks its third anniversary today. The end is in sight, but it is some way off.

Inquiry officials say they expect to finish taking evidence by the last quarter of the year. Roy Vandermeer, the chairman, will then spend another two years producing his report to the government on whether the new terminal at London's principal airport – the busiest in Britain – should get the go-ahead.

The inquiry has already taken evidence from more than 200 witnesses. It has received 20,000 written submissions – 95 per cent of them against the terminal.

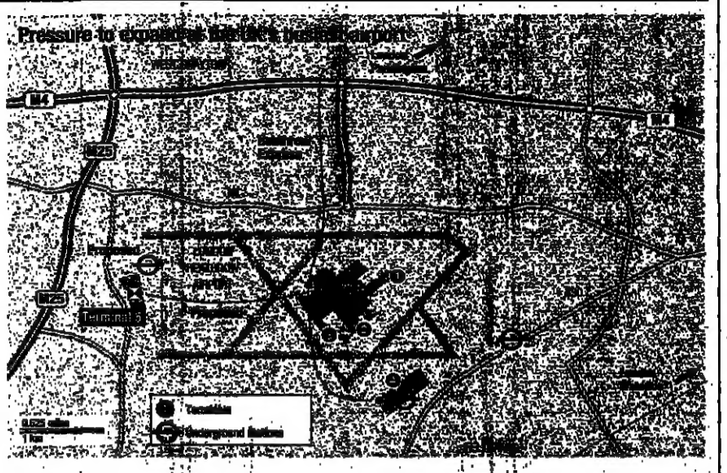
The coalition of municipal authorities opposing the terminal has, for budgetary reasons, had to ask its top lawyers to stop attending. The authorities have spent £4m ($6.7m) on the inquiry so far. They will ask their lawyers to return for the end of the inquiry and will make written submissions in the meantime.

Local pressure groups are still attending, littering the inquiry's transcripts with acronyms. Geoff Kirk, chairman of the West Area Residents association (War), has attended the inquiry since the beginning.

"Being an old soldier, I'm familiar with battle fatigue. Now I'm familiar with inquiry fatigue," he says.

The passage of time has not brought the two sides closer together. Sir John Egan, BAA's chief executive, says if Terminal Five is rejected, the south-east of England will run out of airport capacity in five years, with damaging effects on the rest of the economy. BAA is the operator of London's airports.

The new terminal would add 30m passengers to the 58m who used Heathrow last year. But because aircraft are getting larger, the terminal would increase flights by only 8 per cent, Sir John says. BAA has told the inquiry it is prepared to accept a cap on aircraft noise at 1994 levels and a limit on the number of night flights at today's levels. It has asked the government to rule out ever building a third Heathrow runway.



The terminal's opponents argue that Terminal Five amounts to a new airport. Dermot Cox, chairman of the Heathrow Association for the Control of Aircraft Noise (Hacan), points out that, on its own, Terminal Five would be the second biggest UK airport, handling more passengers than London's second-biggest airport, Gatwick. BAA retorts that its opinion polls show a growing proportion of local residents support the terminal. The latest Gallup poll, commissioned by BAA, shows 49 per cent in favour, with 28 per cent against.

However, a sampling of local residents' opinions suggests some who were once enthralled by the debate do not realise it is still raging. "When it first started, that's all you would read and hear about; but it's been diluted because of the amount of time it's taken," says Sanjeev Sidhu, manager of a nearby textiles outlet.

Opposite him, newsagent Ajit Patel remains unconvinced by the anti-Terminal Five lobby: "People are making a noise about noise pollution but you get used to it. I've lived in Heston for the past nine years and now I wouldn't be able to sleep without the planes."

Ministers tackle regions' inward investment fears

By Juliette Jowit in Swansea and James Sutton in Edinburgh

Government ministers in Wales and Scotland yesterday confronted growing worries about the role and impact of inward investment, especially that from the Far East.

Ron Davies, chief minister for Wales, pledged that Welsh businesses would take priority over high profile inward investors. He stressed the continued importance of overseas investment but sought to reverse the perception that such projects took precedence over support for indigenous companies.

He told a business gathering for the Wales Labour party conference: "The future of the Welsh economy depends on small- and medium-sized enterprises. That's not to dismiss the importance of inward investment, but they must be our number one priority."

The declaration will please a growing lobby arguing that focusing on big, often cheap, labour projects has reduced unemployment but failed to improve living standards.

Mr Davies acknowledged the importance of inward investment in generating spin-off opportunities.

He said gross domestic product per head in Wales was 17 per cent lower than the UK average and 19 per cent lower than the European Union average. "What we have to do is develop the sort of business which isn't only about manufacturing, but about developing new products, being ahead of the game. You don't get that from the primary inward investment," he told the meeting.

Meanwhile, Brian Wilson, the Scottish industry minister, strongly defended inward investment and highlighted the shortage of indigenous companies seeking to expand. "Sadly it is a myth that there is a long queue of frustrated indigenous companies being refused support," he said. "I would warmly welcome more applications for expansion and investment [grants] by home-grown firms."

He attacked the Scottish National party and media commentators who this week decried inward investment following the decision of the Taiwanese company Lite-On to shed two-thirds of the jobs at its computer monitor plant that opened last year.

"It would be helpful if the critics of inward investment were to tell us in advance which projects they disapprove of rather than appearing somewhat opportunistically the morning after a setback has occurred," he said.

Clubs on top in rugby conflict

By Patrick Harverson in London

If Newcastle Falcons defeat Harlequins in the last game of the rugby union season tomorrow, it will represent both a sporting and a political triumph for the rugby club's owner, the property developer Sir John Hall.

Not only will the season have ended with his team crowned champions of the English first division, but it will also have closed with the professional clubs seemingly having wrested a greater degree of control over the game from the sport's own governing body, the Rugby Football Union.

The long and bitter power struggle between the RFU and the clubs appeared to have ended earlier this month when representatives of both sides reached an agreement on the future of the English game at a meeting in London. Sir John Hall, a tough negotiator and the most vocal opponent of the RFU among the new breed of wealthy businessmen-owners, must have been particularly pleased by the deal that was announced on May 8.

Under its terms, the RFU agreed to several demands from the clubs, most notably for an increase in the size of the two professional divisions from 12 to 14 clubs each, for player contracts to remain with the clubs, and for the RFU to make every effort to shift the Five Nations international tournament to the spring so that it no longer interrupted the club season.

The RFU did gain something in return – the clubs agreed to release their best players for at least eight England matches a season, and promised not to set up their Anglo-French cup competition following their temporary withdrawal from the three year-old European Cup.

The deal was widely seen as a victory for the clubs, which have been fighting to wrest more control of the sport from the RFU. Huw Morgan, chief executive of the Harlequins club in London, believes the agreement gives the clubs a platform on which they can build sustainable businesses.

However, the deal has its opponents and it may be premature to celebrate the end of the struggle for control of the game. There is still fierce opposition to any accommodation with the clubs.

Fran Cotton, the British Lions coach and a popular figure within the game, has described the agreement as a "complete sell-out of our sport to a small number of club owners whose interest is only in their own personal commercial gain".

Elite attack, Page 7

NEWS DIGEST

RETAIL BANKING FURORE

Fair trading watchdog defends customer victims

Banks were told to treat their customers fairly yesterday or face being taken to court. The warning from the Office of Fair Trading follows a furore surrounding recent account changes at Northern Rock which has left thousands of savers worse off. The building society-turned-bank abruptly merged 11 postal accounts into three, forcing some savers to accept lower interest rates while stopping them from moving without notice. The OFT said the action appeared to show a "cavalier attitude to savers" and said it was concerned that other banks could treat their customers similarly.

John Bridgeman, OFT director general, said: "Customers do not expect banks to change arbitrarily the terms of a product, lock them into less favourable terms and conditions, fail to give warning of any changes and treat some account holders differently from others."

He said he had the power to take companies to court "if they fail to amend or remove terms which . . . cause detriment to consumers". The OFT said it was investigating 30 complaints against Northern Rock but the bank itself has received thousands of complaints.

Shares in Northern Rock plunged 51 pence to 555p in London. Other retail banks also fell sharply.

Leo Finn, Northern Rock chief executive, said: "We sincerely believe we have acted with the highest standards of probity and good faith." **Christopher Brown-Humes, London**

London stocks Page 17; Lex, Page 24; Weekend Investor, Weekend Page XXII

PENSIONS INDUSTRY

Warning on EU currency

A leading pensions professional yesterday warned the industry of potential for chaos when the European single currency is launched in January 1999. Alan Rubenstein, managing director of Morgan Stanley Dean Witter, advised more than 600 delegates at the annual conference of the National Association of Pension Funds not to make significant changes to their portfolios at the beginning of next year when currencies will be converted into the euro. "The scope for disaster is huge," he said.

Mr Rubenstein, who was formerly pensions manager at LucasVarity, said he was particularly concerned about the mechanics of converting portfolios.

He joined others in the industry in predicting a shift into corporate bonds for UK pension funds, which typically have a heavy bias towards towards equity investing. This position contrasts with that of continental Europe and the US, where bonds make up a far higher proportion of assets. Mr Rubenstein said he found the US argument in favour of corporate bonds "compelling". **Jane Martinson, Brighton**

NUCLEAR REPROCESSING

Safety audit ordered for site

The troubled Dounreay nuclear complex in Scotland is to undergo what is likely to be the most thorough safety audit in its history, the Nuclear Installations Inspectorate announced yesterday.

Having ordered the plant on Monday to close its fuel cycle area indefinitely, the watchdog said it had decided to examine every part of the plant in response to concerns of the public and employees over recent mishaps. The new audit will review nuclear fuel reprocessing, as well as radioactive waste management and the plant's ongoing decommissioning. The plant, built in the 1950s to house Britain's experimental fast breeder reactor, needs heavy investment to achieve modern safety standards. **Leyla Boulton, London**

ROLLING STOCK LEASING

Call for code of practice

The rail regulator, John Swift, yesterday called for the privatised railway rolling stock leasing companies (roscos) to draw up a code of practice but stopped short of ordering tighter regulation of the industry.

John Prescott, deputy prime minister and chief transport minister, held open the possibility of the government taking tougher action. "It is unacceptable for an industry that receives nearly £2bn ($3.34bn) of public subsidy to further profit at the taxpayers' expense," he said.

In January, Mr Swift was ordered by Mr Prescott to carry out a review of the rolling stock market following the sale of the three roscos by their managers for large profits. This prompted charges that the rosco privatisation had created more "fat cats" and focused attention on the lack of specific regulation on this part of the rail industry.

The roscos have argued that they compete between themselves and that there are no barriers to other large financial groups or rolling stock manufacturers entering the market. But Mr Swift said his review had shown that the roscos did have "market power". **Charles Batchelor, London**

Lex Page 24

FUNERAL INDUSTRY

US-based company probed

The Office of Fair Trading yesterday launched a wide-ranging inquiry into the funeral industry after fresh allegations of excessive pricing and over-aggressive selling, notably by SCI, the US-based funeral giant which has taken a 13 per cent stake in the UK business in the past four years. The inquiry will cover the £840m ($1.4bn) "at need" business – funerals sold at the time of a death without pre-payment policies.

John Bridgeman, director general of fair trading, said: "I have been increasingly disturbed by allegations from many sources about the funerals industry," adding that the latest came in a Channel 4 television documentary shown in the UK earlier this week which linked allegations of pressure selling and overcharging by SCI to disrespectful treatment of the dead. The company failed to obtain an injunction barring its transmission. **Nicholas Timmins, London**

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Atal Bihari Vajpayee
Prime Minister of India

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Sonia Gandhi
President
Indian National Congress

(Statements at CII Annual National Conference on 28th April 1998)

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Saturday May 16 1998

World leaders in search of a goal

What are the leaders of the world's eight most powerful countries doing in Birmingham this weekend? And will their discussions make any difference?

Tony Blair, who is hosting this year's economic summit, has done his best to cut out the waffle, to get the leaders to concentrate on important business, to agree on something more than platitudes. This time, the British prime minister has arranged that *heads of government will meet* on their own, without the usual sideshows for finance and foreign ministers. The agenda will be restricted to a few big issues, and the final communiqué – usually a rambling *tour d'horizon*, should be shorter.

But is this enough to get the summits back to what they set out to be – a meeting of minds on strategic economic questions? Or is it time to junk the whole *process?*

As it happens, unforeseen developments have made this weekend's events seem more significant than in the past. The crisis in Indonesia and the nuclear weapons race in south Asia seem likely to dominate the discussions, *though a united response* is improbable.

But, for all their urgency, events such as those in Asia are not the bread and butter of summits. *When the G7 process first* started in the turbulent 1970s, world leaders showed that they were at least trying to do something about the economic chaos around them. But since then much has changed.

First, relative economic power has shifted. It may be asked whether a global economic forum that excludes all Asian countries except Japan is sensible. For example, can the big issues on the agenda for this summit – the Asian financial crisis, how to improve employability for workers, transnational crime and debt relief – be usefully discussed by G8 leaders alone?

Monetary issues

Moreover, with the advent of European monetary union, does the G7-G8 grouping make sense? Monetary issues will increasingly be addressed by the central banks of a de facto Group of *Three (US, Japan and Euroland).* Perhaps the larger grouping, with a heavy representation of European countries, is now superfluous?

The G7 process was, in any case, a phenomenon that came into being during the later stages of the Cold War. The Seven were the big allies in the struggle *against communism. Now that* the the Berlin Wall has gone, it is sometimes said, simply adding Russia to the G7 is hardly enough to restore a sense of direction. Should the major powers therefore abandon the whole *process, and leave international* meetings to bilateral or multilateral sessions as the need arises? Alternatively, should the regular gathering be either broadened or slimmed? Instead of eight, why not three, or 20?

Genuine difference

Abandoning the meetings would not be sensible. Jaw-jaw, even of an inconsequential sort, *is better than the alternative.* And, for all the cynicism, there have been summits that have made a genuine difference – Tokyo in 1993, for example, when the historic breakthrough in the Gatt negotiations was reached. Furthermore, the summits are a *useful way for the rest of the* world to remind an increasingly sceptical US public of its global leadership obligations.

The membership of the regular *meetings is a trickier question.* A G3 would make little sense for discussions outside the realm of monetary policy. Fiscal policy remains a matter for national governments and legislatures. Exchange rate policy is mostly a matter for governments, rather than central banks. No European leader is yet in a position to speak for his continent on much else of substance.

A G9 that included China might be worthwhile, but would raise legitimate questions, especially in the US, about human rights. Anything bigger gets hopelessly unwieldy. And, though to outsiders the spectacle of a privileged group of big economies looks anachronistically exclusive, it has one strong argument in its favour. As the Asian crisis has proved, these are the countries that still dominate the world economy and have much the longest purses when a bailout is needed.

So the answer is to stay with the current structure, for the *good reason that there is not a* better one, but improve on Mr Blair's reforms by focusing it even more narrowly. Slim down the supporting cast further; clear the agenda of ideological clutter; let the leaders genuinely review the world economy and suggest ways of improving it.

One sign of this new commit*ment to businesslike behaviour* would be for the leaders to express their communiqué concisely, with explicit goals and specific commitments. That *would underline their claim to* global leadership.

MAN IN THE NEWS PRESIDENT SUHARTO

Trouble for the smiling general

The Indonesian leader may need more than cunning to control the rioters in his kingdom, says **Sander Thoenes**

In 1966, Major General Suharto sent a wreath to the funeral of Arif Rachman Hakim, a student who had been killed in clashes with the palace guards of the then President Sukarno. The killing *whipped up popular support* for the protesting students and allowed Mr Suharto, whose public stance earned *him the* nickname of "the smiling general", to overthrow and replace Sukarno.

Mr Suharto has yet to send a wreath to the parents of the six students who were shot in a mysterious incident on Tuesday, just as peaceful student protesters prepared to return to their campus. Nor has any ambitious rival general. But the student killing has proved an eerie rerun of 1966. Except it is worse.

Mr Suharto returned home to a burning capital yesterday. Many of the glass towers that bear testimony to his success in boosting the Indonesian economy stood shattered by stones. Shopping plazas that had reflected the growing prosperity of his citizens had been looted, or *turned to* blackened ruins, or both; more than 100 people had been burned to death inside one of them, bringing the total number killed *in four days of rioting to more* than 160.

It is worth remembering, at a time when images of protest and death haunt the world's screens, that Mr Suharto's rule has elicited praise in the past. In his 32 years of rule, he has managed to hold together a country of 17,000 islands, with a population of 200m (the world's fourth largest). He was instrumental in developing the Association of South East *Asian Nations (Asean), which is* now a key regional body, and he opened up Indonesia to foreign investment and high economic growth.

Before the past year's economic collapse, growth in income per head had averaged 4.6 per cent since 1965, increasing per capita income from $270 to $1,080 (in *1996 dollars). What is more,* though a small number of families close to the president have enriched *themselves mightily*, a good deal of the growth has trickled down to the farmers of the most populous islands of Java and Sumatra.

Most of the symbols of Mr Suharto's economic success, the hospitals and schools, the roads *and power stations, are still* standing. Even in the midst of economic crisis most Indonesians are clearly better off now than they were when he swept to power. But few in Jakarta still use the honorary title bestowed on him by government propaganda, *Father of Development.*

Instead, the rioters and student protesters called him "King of Thieves". They set fire to cars (the Timor and the Bimantara) produced by his sons. They attacked the offices of his daughter, who is both a minister in the cabinet and a prominent businesswoman. They ravaged branches of the country's largest bank, BCA, jointly owned by two of Mr Suharto's children and his *friend and lifelong business part*ner, Liem Sioe Liong, one of the several prominent Chinese tycoons who have been closely linked to the president throughout his time in office.

So where did it all start to go wrong? In the west, people point to failed economic policies over many years, leading to overborrowing by Indonesian companies and massive corruption (not least by Mr Suharto's own family). For *Indonesians themselves, how*ever, Mr Suharto appeared to lose his aura of good fortune after the death of his wife in 1996. Her blue blood compensated for his peasant background. *And it was she* who held the family together. Without her, Mr Suharto has appeared unable to control the business activities of his chil*dren, five of whom, plus a half* brother, cousin and hundreds more have piggybacked on family ties to build a sprawling business empire that has become Mr *Suharto's biggest liability.*

Korupsie has become the term Indonesians use most often to *describe* his government. The president has appeared unable to keep it within politically acceptable limits or, it seems, to understand how much it is resented.

That may help explain why foot soldiers, even crack troops, could be seen chatting away with looters. Even if the top brass, mostly hand-picked generals who used to serve as his adjutants, appeared to remain *loyal*, their hold on the lower ranks seems tenuous. Numerous former aides have joined the opposition and yesterday a faction of Golkar, the *obedient political party* be set up to dominate parliament, abandoned ship as well.

Mr Suharto still managed a wan smile when news of the riots reached him in Egypt. He is a proud military man and, if he keeps control of the army, he might just *succeed in re*imposing order. But it looks unlikely.

The military is only one of Mr Suharto's sources of support. Even his worst enemies praise his skills in the ancient Javanese art of political patronage and manoeuvering, which have enabled him to take on the air of a *panditthu ratu*, a wise traditional ruler. "He is much more of a court-based king than a constitutional ruler," says Heather Sutherland of the University of Amsterdam. "He regards himself as the saviour of the nation."

Rather like Boris Yeltsin, Mr *Suharto is a master in the art of* keeping friends and foes guessing. Few Indonesian or foreign observers knew with certainty why he appointed the whimsical *B.J. Habibie as his vice-president*, and his daughter and other cronies to his new cabinet, or why he wavered between co-operating with and cheating on the International *Monetary Fund in eight* months of negotiations over the economic crisis.

Even Indonesians were wrong-footed when Mr Suharto toyed *with resigning earlier this week.*

"I could lead from behind," he said. "I could become a *pandita* [a sage]." To some, that suggested he was ready to step *aside and take on the role of* senior statesman, much like Lee Kwan Yew, former prime minister of Singapore and now its senior minister.

But the words may have been disingenuous. "There is a tradition among Javanese leaders to ask their followers, 'How would you feel if I stepped down?'" says *Ong Hok Ham, a prominent his*torian. "But anyone who would dare tell him to step down will lose his head. So nobody does."

If Mr Suharto is indeed playing *Javanese games in the midst of* riots, it would be an extremely risky ploy. "Such remarks should weaken support for him in his inner circle," one diplomat says. "*If the old man is not serious* about his job, who is?"

"[Suharto] is very cunning," concludes Mrs Sutherland. "But not clever enough to realise *things have gone too far.*"

They never can say goodbye

Malcolm Rutherford on the leaders who fail to quit when the going is good

There was a story last year about a man who turned up *at the gaming tables in Las* Vegas for the first time. He won about $286,000, cashed in his chips and left. Winning streaks, he realised, do not go on forever and *he had the sense to quit while his* going was good.

Why can't politicians be more like that? Two examples come to mind this week. President Suharto *of Indonesia and Chancellor* Helmut Kohl of Germany operate in entirely different political systems, but have something in common: their great achievements seem to *be behind them. The question is,* how do they leave office?

You can be thrown out by the *ballot box or by a revolution in the* streets, depending on the prevailing political system. France sometimes tries to have it both ways: when President Charles de *Gaulle stayed too long, there was* an uprising, and he went.

In Indonesia, if Mr Suharto goes, he would leave office in the same way that he entered it: after *students' riots and widespread* violence (albeit nothing yet on the scale of the slaughter that brought *him to power). As the article above* shows, between then and now, he initiated a great deal that was good. Why should such a man stay on until shrouded under a cloud of *corruption and worse?*

Helmut Kohl is arguably the most successful European politician of the second half of the 20th century. He has presided over the *peaceful unification of Germany* and contributed to the introduction of the European single currency. *That much is clear. What is less so* is what more there is for him to do. Yet he wants to stand for re-election in September. No one can know in advance what will *happen – the German electoral* system is complex – but there is a strong possibility he will lose.

Both could argue that things would be much worse if they were to go: Mr Suharto might say the anarchy could grow; Mr Kohl that the euro could still be undermined. Obviously, neither could prove it.

Three lessons apply to different systems. Quit while the going is good. Always try to groom a successor as, say, Margaret Thatcher did not. And try to have fixed terms for leaders. If the Americans had not introduced a two-term limit for the presidency, Ronald Reagan might have stood again in 1988, won the vote and then been found wanting in the job. Chancellor Kohl still has just about time to say that he will not be running in September and prepare the way for a successor. His good deeds *are already* recorded.

LETTERS TO THE EDITOR

India: turning point in nuclear arms race

From Dr Scilla Elworthy.

Sir, The *reactions of the UK* and other western governments to India's nuclear tests could be more honest and constructive. First, they could not have been surprised by the tests. For years the Indian ambassador in Geneva, Arundhati Ghose, made *herself extremely unpopular* by saying repeatedly in the conference on disarmament that the five nuclear weapons states must abide by their undertakings, made nearly 30 years ago, to make serious moves towards nuclear disarmament. She warned *that if they do not do so,* other nations could no longer be expected to continue to uphold their undertakings not to develop nuclear weapons. India had made no such undertakings.

Early last December, and again in March this year, Oxford *Research Group organised* in-depth, off-the-record discussions between senior policymakers of all the nuclear nations with Indian and Pakistani officials, on precisely these issues. They had five days of talks with Ms Ghose and other very senior Indian military and nuclear physicists, as well as an address from Jaswant Singh, defence spokesman for the BJP.

Second, we need to recognise that this is a turning point. The choice is no longer how many nuclear weapons we in the nuclear club have. The choice is quite starkly between arranging for the abolition of nuclear weapons and anticipating their proliferation to many other countries and non-state actors. Potential proliferators may now take their lead from India in using the very *arguments which Britain and* other nations have used, to justify the development and possession of nuclear weapons.

There is now a constructive and powerful role open to the UK government. Britain could take the lead in a carefully planned strategy to involve other nuclear nations in negotiations towards a multilateral agreement on steps towards global abolition of nuclear weapons. In the opinion *of leading nuclear physicists,* abolition is not only possible, it is also the only safe course for our future and it can be done safely.

Scilla Elworthy,
director,
Oxford Research Group,
51 Plantation Road,
Oxford OX2 6JE, UK

Only one basis for resolution of Cyprus problem

From Mr Michalis Attalides.

Sir, To the international community and to us it is very clear that the present *de facto* division in Cyprus will not be prevented from becoming permanent by granting separate recognition to the Turkish Cypriots, nor by put*ting an end to Cyprus's EU acces*sion process.

Past efforts to promote a permanent settlement to the problem failed well before Rauf Denktash had raised these demands and because of his and Ankara's unwillingness to take account of the steadfast refusal of the international community to recognise the *fait accompli* that Turkey created in Cyprus by the use of military force.

Therefore, contrary to Edward Mortimer's suggested therapy of separate recognition for the two communities ("Rethink on Cyprus", May 6) and to his belief that this is the "only possible basis", the Cyprus problem will be solved when Turkey takes the decision to abide by the rule of *international law and respect the* UN Security Council resolutions on Cyprus.

It is because of these resolutions that the declaration of the so-called separate "state" in the Turkish-occupied area remains unrecognised.

Conforming with the UN resolutions is, incidentally, the very test which the international community has *long set Turkey and* the one which it has consistently failed to satisfy.

Turkey should not be encouraged to try to bully the European Union into removing the preconditions which the latter has set for the development of its own relations with the Union and which include Turkey's behaviour in relation to Cyprus.

*No matter what some commen*tators say, in the end it will be in Turkey's best interests to facilitate a solution in Cyprus if its own aspirations for a closer relation with the EU are to be realised.

Michalis Attalides,
high commissioner,
Cyprus High Commission,
93 Park Street,
London W1Y 4ET,
UK

No place for chauvinism

From Mr Renato Corsetti.

Sir, potrei scriverle in inglese ma non lo faccio di proposito. Ho appena letto l'articolo di Christian Tyler sul Financial Times del 4-5 aprile scorso ("Mother of all tongues").

La prego *di informare il signor* Tyler che, avendo letto il suo articolo e, quindi, quello che passa per la testa ad un inglese medio, cerchero' di non parlare piu' in inglese con qualsiasi straniero.

Dispiace notare che un gior*nale*, peraltro equilibrato come il Financial Times, dia spazio ad articoli sciovinistici come quello a cui mi riferisco.

Renato Corsetti,
Facolta' di Psicologia,
Dipartimento PPSS,
Via dei Marsi, 78,
I-00185 Roma,
Italia

Making a hash of the euro

From Mr Adrian Danson.

Sir, My aged computer and printer have developed an irritating interface problem, such that the £ sign is reproduced as #, commonly known as hash.

Then it came to me. Why not use the hash sign for the euro? This would receive the enthusiastic support of most UK Conservative MPs.

Adrian Danson,
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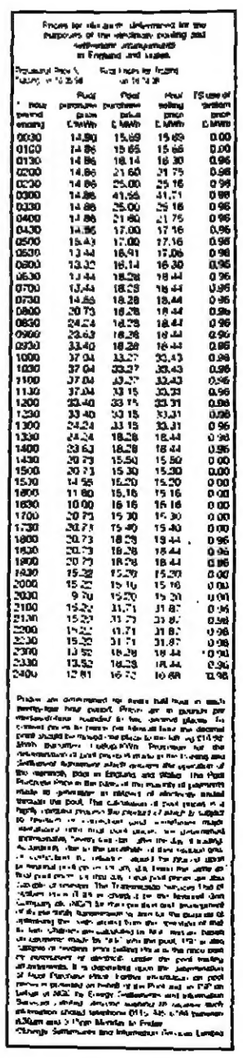
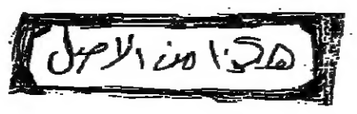




Mr $50bn versus the sheriff

Louise Kehoe and **Richard Wolffe** on the differences and surprising similarities between the men battling it out over Microsoft

Has Bill Gates met his match? In Joel Klein, head of the US Justice Department's antitrust division, the Microsoft magnate and world's wealthiest citizen has come face to face with Washington's most powerful regulator.

The two are in a standoff. With the Justice Department set to file a lawsuit charging Microsoft with conspiring to limit competition in the software market, Microsoft on Thursday agreed to delay for four days delivery of its new Windows 98 program to PC manufacturers. Meanwhile, talks continue. For his part, Mr Klein agreed not to file suit until Monday while discussions went on.

The outcome of these talks is far from clear, although some form of compromise now appears possible. The nature of such a compromise – whether it addresses broad structural issues concerning Microsoft's dominant role in the computer industry, or is more narrowly focused on specific complaints against the company – will determine whether Mr Klein or Mr Gates is perceived as the winner.

The combatants have very different backgrounds. Mr Gates, 42, the son of a prominent Seattle family, grew up with the privileges of wealth. He attended an expensive prep school and went on to Harvard University. Demonstrating, even then, a huge measure of self assurance, the young Mr Gates dropped his university studies at age 19 to form the fledgling software venture that would become Microsoft. Today, his shareholding in the company gives him a net worth of close to $50bn.

Mr Klein, 51, is the son of postman who grew up in public housing in Queens, New York. His rise to power came through academic success, winning a scholarship to Columbia University and graduating from Harvard Law School. He has come a long way, but it is safe to say that his personal wealth does not approach that of Mr Gates.

In spite of their differing backgrounds, both have an anti-establishment streak. Mr Gates rejected the trappings of an Ivy League education to map his own path. He then took on the computer establishment – International Business Machines – to help create an industry that took computers out of glass-walled rooms and on to desktops. His stated goal was to give Everyman access to computer power.

Mr Klein had an anti-establishment background reputation even as a young clerk for Lewis Powell, the supreme court justice in the mid-1970s. According to *The Brethren*, Bob Woodward's controversial book on the supreme court, Mr Klein became famous at the court for his "raised voice and wild gesticulations".

Two decades later, Mr Klein's public manner is more polished and subdued. Before joining the Clinton administration, he embodied the archetypal Washington lawyer, forming his own firm and becoming a visiting professor at Georgetown University. In fact, when he was nominated as antitrust chief, critics feared he would be weak. "We've got an antitrust fellow here who rolls over and plays dead," said Ernest Hollings, a Democratic senator, at Mr Klein's confirmation hearings.

His reputation was shaped by the controversial decision last year to approve the $23bn merger of Bell Atlantic and Nynex, two regional telephone monopolies. That decision may come back to haunt him after this week's announcement of the $57bn merger between two Baby Bells, SBC and Ameritech.

But two years into his term at the Justice Department, Mr Klein has proved anything but a walkover. Earlier this week he launched a suit to stop Rupert Murdoch's $1.1bn deal to sell his US satellite television business to a consortium of his rivals in the cable industry. Mr Klein turned his fire on the entire cable industry, condemning it as "one of the most powerful and enduring monopolies in this country".

Mr Klein was similarly opposed to the $9bn merger between Lockheed Martin and Northrop Grumman in March. After a decade of consolidation in defence, the antitrust rejection of the deal stunned the industry.

Mr Gates has also matured. The brash young man who in his thirties would rudely dismiss questions about his company or the software industry has adapted to his celebrity. Though he has not lost all his abrasiveness, he has nonetheless gone out of his way to explain how his idea of a "digital nervous system" – the combination of computing and communications – will become the engine of economic growth.

While the rough edges may have worn away, both men are still steely in their determination. Mr Gates refuses to countenance government regulation of his industry and is fighting tooth and nail to avoid any sanctions that might restrict Microsoft's ability to continue to grow. His refusal to waver may be his Achilles' heel.

Building a consensus does not seem to be in his nature. He demands that others see his point of view; he does not seek to persuade them. It is said within Microsoft that those who disagree with the boss clearly lack the information that otherwise would enable them to see the light.

Ultra competitive, Mr Gates is determined to win any battle he takes on. The fight with the Justice Department will be no exception. He will use whatever weapons he has, including raising the spectre of a broad economic turndown in the US if the Justice Department engages in battle.

This weekend's talks will no doubt be as tough a negotiating session as Mr Klein's lieutenants will ever face. Mr Gates has one advantage. He has been there before. He emerged virtually unscathed from earlier antitrust charges brought by Mr Klein's predecessor.

But Mr Klein has one advantage of his own over his rival: unlike Mr Gates, he is a master of political manoeuvring. Even as a lowly clerk in the supreme court, he was known as a shrewd political player and for his ability to build consensus. At the Justice Department he is in the process of establishing a new era of antitrust regulation.

Mr Klein's scope is nothing if not ambitious. His department is investigating the wave of alliances between US airlines, as well as the transatlantic alliance between British Airways and American Airlines.

The workload keeps mounting as the mergers roll in. His office is considering the mega-merger between Citicorp and Travelers Group to form the world's largest financial institution. A more likely candidate for action is the deal between WorldCom and MCI, which would create a dominant force in internet communications.

To those who suggest he may have too much on his plate, Mr Klein responds sharply. Resources are stretched, he admits, but that will not stop a vigorous investigation of all the cases before him. "Our first commitment is to protect US consumers," he says. Mr Gates makes exactly the same claim. This weekend's negotiations will establish whether they can reach common ground.

Parsifal and the goalie

Patrick Harverson reveals plans for a European soccer league for top clubs

It is codenamed Project Parsifal and is a bomb that could one day explode under European football. The project is a proposal for a new European club competition. Under it, the likes of Ajax, Juventus, Barcelona and Liverpool could find themselves playing each other regularly, week after week.

The proposal is being put together by Media Partners, a Milan-based sports marketing consultancy that advises the top Italian *Serie A* league on television contracts. The firm is proposing a midweek league made up of either 24 or 32 clubs, which would be chosen partly on status and partly on merit.

Under the scheme, a group of founder clubs would enjoy permanent membership of the league by virtue of their size and wealth – an idea that is anathema to those who believe European competition should be linked directly to clubs' performance in their domestic leagues.

It would be the first fully fledged pan-European league, in which all clubs play one another. More than that, it might one day make the arrangements of European football, in which clubs can move up and down into different leagues, come to be more like the US system, which puts a premium on stability. But it would almost certainly provoke a battle royal with Europe's existing football authorities.

The money to back the league would come from broadcasters, financial institutions and corporate sponsors. The revenues generated for the participating teams would, the plan's proponents say, dwarf the amount clubs currently earn from the Champions League, Europe's (and the world's) premier club competition. This is a hybrid between a league and a knock-out competition (as is the World Cup), and is organised by Uefa, the continent's governing body of football.

In 1996-97, the Champions League generated £99m ($165m) of revenues, of which £59m went to participating clubs. While those figures will have risen since then, because of the increase in the number of clubs in the competition from 16 to 24, Media Partners believes the clubs that take part should be earning much more. "The way [the Champions League] is formatted today, it is an underperforming asset. We believe we can do better," says Rodolfo Hecht, the executive masterminding the super league project at Media Partners.

The firm hopes to complete its proposals this summer before unveiling it publicly. What happens then is the question that could determine the future of European club football in the next century.

Will Parsifal first be presented to Europe's biggest clubs for their support, and will they take it seriously? If support is forthcoming, will the league be presented to Uefa as a *fait accompli* that it must accept or face the prospect of a breakaway by leading clubs? Or will Media Partners go to Uefa first, in the hope that it will approve Parsifal, thereby guaranteeing the clubs' support?

The firm may have already earned some tacit approval. Silvio Berlusconi, the media magnate who owns AC Milan, publicly supports the idea of a super league and is likely to be aware of Media Partners' plans. Other Italian clubs are also believed to be supportive.

Outside Italy several top clubs, among them Ajax of the Netherlands, Liverpool and Barcelona, are regarded as keen on a super league that would provide a guaranteed flow of big money from regular European competition.

Others, however, appear more circumspect. Manchester United and Bayern Munich are thought to believe that any restructuring of Europe's elite club competition must have the backing of the governing body, and would not be willing to risk the expulsion from their national football associations that Uefa would almost certainly threaten if there were a breakaway.

Yet if it came to a fight between Uefa and the organisers of a breakaway competition, the latter might win. James Dow, who co-authored the recent survey on European football by accountants KPMG which predicted that a super league would be set up by 2002, says: "The European Commission is likely to take a supportive view of anyone trying to form a new league. It would not be in favour of the football authorities exercising a monopoly over the operation of events."

Mr Hecht of Media Partners believes the tide is turning against the traditional structure of football in Europe, which favours unpredictability and movement between leagues over the US franchise model, which is based upon stability and financial security.

He says: "If you look at the structure in Europe, it is designed for amateur sport. It's fun to go up and down and be relegated and go in and out of European cups. Until you invest £40m in salaries – then it's not such great fun."

Yet Jurgen Lenz, president of Team Marketing, the company that runs the Champions League for Uefa, argues that no club should have the automatic right to play in Europe's elite competition.

It seems increasingly likely, however, that more commercially driven forces will determine the future shape of European football. With more big clubs pursuing stock market flotations, the pressures on them to achieve sustainable commercial, as well as footballing, success are intensifying. "You have to start by looking at who is driving the process [of change] and the driver is the financial institutions," says Mr Lenz.

Mr Dow at KPMG agrees and believes the momentum building behind the creation of a super league is unstoppable. "The most compelling force is the number of clubs coming to the stock market. As soon as you have investors to be satisfied, you have a requirement to maximise your profit. It is the stock market flotations that make a super league inevitable."

Tension on the roof of the world

India's nuclear tests could unleash a new arms race, says **David Buchan**

No one preparing for this weekend's Group of Eight meeting in Birmingham could have known what would hit them. When the government in New Delhi tested five nuclear devices this week, it radically changed the nuclear balance across the Himalayas, with India – and maybe soon Pakistan – joining China as atomic powers.

None of the Birmingham summiteers, not even Bill Clinton, the US president, had any warning. The Central Intelligence Agency is being lambasted. Not only did it fail to predict the first set of nuclear tests on Monday, but it was also caught unawares by the second set on Wednesday.

It comes as no surprise then that the immediate response of the G8, apart from rhetorical condemnation, has been disarray. The US has imposed sanctions that effectively block multilateral aid from the World Bank as well as cut off bilateral aid and credit. Japan is set to cut its large assistance programme to India. France and Russia, using the same arguments they employ in the case of Iraq and its suspected weapons of mass destruction, dislike sanctions as ineffective and counterproductive. The UK is also against sanctions on India, though a believer when it comes to Iraq.

Such an undisciplined response must gratify New Delhi, which may well have timed its tests to catch the G8 on the hop. Certainly, the Indian tests are a brazen defiance of the near-total world consensus to prevent the spread of nuclear weapons technology. It is the first time since China set off a nuclear explosion in 1964 that a country has openly declared itself an atomic weapons state. India has thrown off the veil of ambiguity it has worn since 1974, when it detonated beneath the Rajasthan desert what it insisted was a "peaceful nuclear explosion".

There is an optimistic scenario, which would not necessarily be damaged even if Pakistan disregarded current US efforts to stop it setting off a matching nuclear test of its own. This hope would be that, having shown their nuclear muscle, India and Pakistan would together sign the comprehensive test ban treaty. This would slow a nuclear arms race on the subcontinent, though perhaps not prevent it totally.

India, by its own proclamation, might now be able to pursue nuclear weapon design through laboratory computer simulations of very low-yield "subcritical" explosions permitted by the treaty. This appears to be why it has said it might consider signing "some of the [treaty's] undertakings". Pakistan has said in the past that it would sign the treaty if India did.

This week's Indian tests underline the need for a renewed push for nuclear disarmament, particularly in regional trouble spots

But the pessimists fear a Pakistan test might spur India further into an arms race that its Hindu nationalist government might believe it could win. Pakistan, with its smaller and weaker economy hit harder by US-led sanctions, would feel itself falling further behind India in conventional military force. It would thus become more reliant on a nuclear deterrent.

Across the Himalayas, China might react to this week's tests, which New Delhi said were motivated chiefly by the "atmosphere of distrust" with Beijing. If China were to pull out of the test ban treaty and resume testing, this could have a knock-on effect on *its* neighbour, Russia. Thus could the existing order unravel.

One can argue that this order of nuclear arms control had already hit its limits. Remember all those US-Soviet treaties with acronyms like ABM, INF and Salt, and the fanfare and relief with which they were greeted? Now the Start 2 (Strategic Arms Reduction Treaty) is stuck in the Russian Duma, and no one appears too concerned – not in Moscow, which now values nuclear weapons more highly to counter America's increased conventional superiority, and not even in Washington, which has chosen to annoy the Duma by giving greater priority to Nato enlargement.

At the global level, the nuclear non-proliferation treaty has acquired 186 signatories. Almost all of them have taken their obligations seriously, except perhaps Russia and China on the supplier side and Iraq and North Korea on the recipient side. But India, Pakistan and Israel remain as firmly outside the non-proliferation treaty as ever.

This week's Indian tests underline the need for a renewed push for nuclear disarmament, particularly in regional trouble spots. The Middle East will remain unstable as long as Arab countries feel tempted to balance Israel's nuclear arsenal with chemical weapons, if not nuclear ones.

The new India-Pakistan-China nuclear triangle has the potential to be far less stable than the old US-Russian balance. In the latter, both sides developed doctrines that they did not plan to use nuclear weapons as bolts out of the blue, but in more or less gradual escalation after preliminary use of conventional force. Each side accepted that its vulnerability to the other, providing for "mutual assured destruction" (Mad), was not in fact mad but stabilising. After armed confrontation over Berlin and Cuba, both sides came to respect each other's interests.

If India and Pakistan join China as nuclear weapons states, they may eventually come to a stable doctrine of deterrence. The trouble is that these three have various bitter, bilateral rivalries and territorial disputes, which could trigger serious incidents. These disputes focus on the Punjab (India and Pakistan) and the Himalayas (India and China).

True, Nato and the Warsaw pact were at ideological odds. But their troops were never involved in regular border skirmishes along the roof of the world in the Himalayas.

OBITUARY FRANK SINATRA

Final curtain for an idol

Frank – Francis Albert – Sinatra, who died yesterday at the age of 82, was the greatest popular singer of the 20th century on at least three counts.

He helped to create a new form of popular music that broke down national barriers and paved the way for the global triumph of rock. He took personal popularity to new heights as the first singer to be mobbed and to have young girls screaming and swooning at his concerts. And he was among the first to use his popularity as a singer as a springboard to a successful career as a Hollywood actor. In 1953 he won an Oscar for his performance in *From Here to Eternity*.

Throw in a frenzied personal life, which incorporated fiery marriages, well publicised affairs and rumours of Mafia connections, and you have a media-manipulated personality who was one of the most celebrated figures of his age.

The dark cloud over his reputation, which came back constantly to haunt him, was his reputed links with the Mafia. As a youth, Sinatra was small and spindly and he failed his wartime medical board. He admired strong, powerful men and, with his Italian background, it was almost inevitable that the Mafia should take an interest in the young singer. Sinatra owned hotels and casinos in Nevada that were used by Mafia bosses, and his relationship with Chicago *capo* Sam Giancana attracted the interest of FBI agents.

A committed Democrat, before he became an equally enthusiastic Republican, Sinatra was an active supporter of John Kennedy's bid for the presidency in 1962. The Mafia put money into the Kennedy campaign in the hope that Sinatra might be persuaded to demand favours from the new president. But the appointment of Bobby Kennedy as attorney-general scuppered the plans.

Sinatra's popularity was only temporarily harmed by the Mafia rumours, as well as by his explosive temperament, which involved him in many public fracas. In later life he greatly improved his reputation with charitable works and Ronald Reagan, the former president, gave him the Medal of Freedom, the nation's highest honour to a civilian.

His only rival in the early years was Bing Crosby, and it is fitting that it was at a Crosby concert in his home state of New Jersey in 1938 that Sinatra was inspired to quit his job as a sports reporter and commit himself to singing. His early career was in the big bands of Harry James and Tommy Dorsey, and his voice, a mellifluous baritone, helped project the vocalist from just a member of the band into the main attraction. In the first ever pop chart, published by Billboard in 1940, it was a Frank Sinatra song, *I'll never smile again*, that made Number One.

By 1943 Sinatra was a solo artist, making regular radio appearances and hit records: the shy, vulnerable, unsophisticated kid with Italian charisma had become the first pop idol. But even then fans were fickle, and bad publicity about his personal life in those decorous days threatened Sinatra's career. He relaunched himself as an actor and, after gaining the Oscar, never looked back.

Sinatra was lucky in his timing. He was on hand as the big band era made way for the solo singer, and he was at his vocal peak as the LP revolutionised pop music. His golden age was the decade from 1954 when, mostly to arrangements by Nelson Riddle, he immortalised the great American 20th century song books, written by the genius of Porter, Gershwin, Rodgers and Hart and others.

Starting in 1954 with *Songs for Young Lovers*, these albums became essential listening. Sinatra's superb phrasing, the ability to persuade listeners that he was singing just for them, gave the songs more sophistication and relevance than they sometimes deserved. Sinatra acknowledged that the emotional intensity in his voice owed much to Billie Holiday, but a shrewd choice of material and album packaging projected Sinatra as the man apart, waiting in his lonely room by a telephone that never rang. It was the first music aimed to comfort the alienated young.

In the 1960s and 1970s Sinatra was sidelined by rock music, which he bitterly attacked. He concentrated on jazzy arrangements of the classic songs, working with such greats as Basie, Ellington and Ella Fitzgerald. He had the odd hit, but increasingly devoted himself to concerts and films, cultivating the image of a raunchy, free-wheeling renegade with his Rat Pack, a bunch of ageing playboys. It was an image at odds with his earlier commitment to liberal causes, but found its indelible manifestation in *My Way*, a song of 1969, which became the anthem for the rest of his career.

This career became ever longer as, after each retirement, Sinatra was lured back for yet another concert, another tour. He was performing into his late 70s, his voice a shadow of its former glory but with the phrasing still immaculate and his very presence enough to send the audience into raptures.

Sinatra mellowed in time and became an American institution. His career was a strange mixture of vicissitude and permanence. There were the ups and downs of his personal life; the move from Democratic party sympathiser to Reagan friend; the flirtation with low life and casinos set against much charitable giving; the successful film career in which he usually played tough, non-singing characters in contrast to his constant touring.

But throughout there was a total commitment to the well crafted tune, in which the words were as crucial as the melody. He kept such music alive through the coming of the age of rock music. It will be fondly remembered and sung, thanks to Sinatra.

Antony Thorncroft

Sinatra: committed to the well crafted tune AP/Capitol Records

Indonesian civil strife hits markets

WEEK IN THE MARKETS

By Gary Mead

Civil strife in Indonesia sent coffee futures soaring initially on the London International Financial Futures and Options Exchange yesterday, where the July contract broke through the $2,000 a tonne barrier and reached $2,130 – its highest point since June 4 1997 – within two minutes of opening for business.

But it was a rollercoaster ride for coffee traders, as the July contract collapsed and lost $350 in the afternoon session, finally closing at $1,880, a $100 loss on the day.

Volumes were higher than of late, with a total of 9,471 lots. Specialists said speculators had taken advantage of the news from Indonesia as had trade sellers, and the uneven day owed little to fundamental factors.

Cocoa futures also moved to a new high on Liffe, the July contract touching £1,165 a tonne, though it closed at £1,156, a £6 gain.

Traders reported that there were strong indications of a growing bull market, with buyers entering the fray whenever the price dipped.

Palladium spiked to a new record high, the London "fix" of $392 per troy ounce prompted by further speculative interest in the bureaucratic delays in exports from Russia.

Indonesia jitters also reverberated into gold prices; the London morning "fix" broke through $300, to $302.30 per troy ounce, but retreated in the afternoon to $300.90.

On the London Metal Exchange three-months tin reached a one-year high of $5,930 a tonne, though it closed at $5,870, $100 higher.

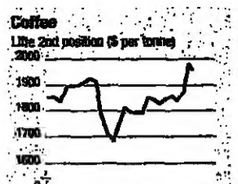
Oil prices marked time, in the absence of any fundamental news.

In later trading on the International Petroleum Exchange Brent blend for July was $14.61 a barrel, 11 cents lower.

With US crude oil stocks now at their highest level (some 343m barrels) since 1993, the horizon is for more of the same in the short term.

So far this year Brent has averaged $14.50 a barrel, against $19.30 in 1997, and $18.30 in 1996.

Coffee
Liffe 2nd position ($ per tonne)



LME warehouse stocks*

	Tonnes ('000)	Change
Aluminium	534.9	+225
Aluminium alloy	59.9	-80
Copper	275.7	-4768
Lead	197.5	-125
Nickel	64.2	+30
Zinc	449.1	-925
Tin	5.5	+95

*Tonnes/tolerance

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1998 High	1998 Low
Gold per troy oz.	$300.45	+0.80	$344.25	$312.55	$279.80
Silver per troy oz	347.40p	-19.60	387.50p	475.70p	341.90p
Aluminium 99.7% (cash)	$1352.5	-25	$1600.5	$1921	$1352.5
Copper Grade A (cash)	$1738.5	-38.5	$2553	$1890.0	$1640.5
Lead (cash)	$535	-7	$619.5	$685.5	$306
Nickel (cash)	$4910	-420	$7710	$8967.5	$4910
Zinc SHG (cash)	$1095.5	-34.5	$1326.5	$1145.5	$1017.5
Tin (cash)	$6015	+210	$6740	$6015	$5160
Cocoa Futures May	£1136	+39	£1001	£1136	£1013
Coffee Futures May	$2115	+130	$1985	$2115	$1610
Sugar (LDP Raw)	$234.40	+4.20	$271.70	$287.40	$215.20
Barley Futures May	£76.00	-1.00	£87.50	£89.50	£72.25
Wheat Futures May	£76.50	-1.75	£89.00	£85.10	£71.40
Cotton Outlook A Index	64.35c	+0.45	79.75c	73.10c	63.70c
Wool (64s Super)	387p	+1	410p	392p	350p
Oil (Brent Blend)	$14.95x	+0.24	$19.74	$16.48	$13.05

For tonne unless otherwise stated. p Pence/kg. c Cents lb. x Jan.

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1352-53	1379-80
Previous	1345-46	1372-73
High/low		1387/1369
AM Official	1354.5-5.0	1382.5-3.0
Kerb close		1370-1
Open Int.	278,859	
Total daily turnover	85,195	

ALUMINIUM ALLOY ($ per tonne)

Close	1252-57	1270-75
Previous	1257-62	1275-80
High/low		1271/1268
AM Official	1249-50	1270-1
Kerb close		1269-70
Open Int.	7,177	
Total daily turnover	2,385	

LEAD ($ per tonne)

Close	532.5-33.5	548-9
Previous	532.5-33.5	548-49
High/low		555/546
AM Official	532-3	548.5-7.5
Kerb close		548-9
Open Int.	36,929	
Total daily turnover	7,435	

NICKEL ($ per tonne)

Close	4898-15	4980-95
Previous	4980-70	5045-50
High/low		5120/4960
AM Official	4910-20	5015-20
Kerb close		4975-85
Open Int.	53,418	
Total daily turnover	24,710	

TIN ($ per tonne)

Close	5910-20	5915-20
Previous	5830-40	5740-50
High/low		5940/5780
AM Official	5860-70	5875-80
Kerb close		5870-80
Open Int.	18,237	
Total daily turnover	5,508	

ZINC, special high grade ($ per tonne)

Close	1055-56	1080-81
Previous	1061-62	1086-87
High/low		1096/1073
AM Official	1057-7.5	1083-3.5
Kerb close		1075-6
Open Int.	63,468	
Total daily turnover	29,986	

COPPER, grade A ($ per tonne)

Close	1737.5-38.5	1752-53
Previous	1729.5-30.5	1742-43
High/low		1756/1738
AM Official	1747-8	1761-1.5
Kerb close		1741-2
Open Int.	179,900	
Total daily turnover	59,848	

LME AM Official 6/5 rate: 1.6293
LME Closing 6/5 rate: 1.6295

Spot 1.6271 3 mths: 1.6304 6 mths: 1.6357 9 mths: 1.6419

HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int
May	77.60	-0.60	78.70	77.30	369	1,149
Jun	78.15	-0.60	78.10	77.70	257	3,452
Jul	78.35	-0.70	79.00	77.70	4,241	24,424
Aug	78.45	-0.75	79.40	78.00	88	1,902
Sep	78.65	-0.65	79.60	78.10	525	6,677
Oct	78.80	-0.55	79.80	78.10	18	1,564
Total					7,518	91,711

PRECIOUS METALS

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv	SFr equiv
Close	300.20-300.70		
Opening	303.00-303.40		
Morning fix	302.30	185.57	448.85
Afternoon fix	300.90	184.84	446.53
Day's High	303.00-303.40		
Day's Low	299.45-300.75		
Previous close	297.50-298.00		

Loco Ldn Mean Gold Lending Rates (in US$)
1 month 4.57 6 months 4.08
2 months 4.42 12 months 3.80
3 months 4.28

Silver Fix	p/troy oz.	US cts equiv.
Spot	347.40	586.25
3 months	350.45	589.80
6 months	351.80	593.40
1 year	354.20	596.10

Gold Coins	$ price	£ equiv.
Krugerrand	296-300	181-184
Maple Leaf	-	-
New Sovereign	69-72	42-44

Precious Metals continued

GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
May	301.2	+2.2	–	–	–	–
Jun	301.9	+2.2	304.4	299.5	39,876	68,945
Aug	304.2	+2.3	306.1	301.9	2,360	14,873
Oct	306.3	+2.3	307.7	303.4	291	6,059
Dec	308.3	+2.3	309.7	305.4	588	18,491
Feb	310.0	+2.3	–	–	340	9,293
Total					43,927	118,622

PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	404.9	+4.3	407.7	397.5	807	10,413
Oct	401.4	+4.5	403.5	399.0	71	1,086
Jan	397.4	+4.3	–	–	2	46
Apr	394.9	+4.3	–	–	2	13
Total					878	11,561

PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	307.50	+27.25	402.00	370.00	309	2,589
Sep	324.80	+12.00	324.80	324.80	85	1,501
Dec	315.60	+12.00	315.60	315.00	60	326
Total					394	4,416

SILVER COMEX (5,000 Troy oz.; Centsfroy oz.)

May	558.2	+1.2	564.0	561.0	47	288
Jul	557.2	+1.2	560.0	555.0	9,751	47,881
Sep	560.0	+1.0	571.0	559.0	175	6,514
Dec	561.9	+1.0	572.5	559.0	472	13,017
Jan	561.2	+1.0	–	–	–	16
Mar	560.9	+1.0	568.0	568.0	1	2,695
Total					10,506	70,602

ENERGY

CRUDE OIL, NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol.	Open Int
Jun	14.92	-0.16	15.15	14.81	51,762	57,919
Jul	15.75	-0.08	15.88	15.58	53,632	80,786
Aug	16.20	-0.01	16.29	16.08	8,882	51,649
Sep	16.50	-0.02	16.60	16.42	4,341	31,873
Oct	16.75	+0.03	16.83	16.71	625	22,055
Nov	16.92	+0.04	16.99	16.83	757	14,707
Total					120,948	450,710

CRUDE OIL, IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
Jul	14.97	-0.05	14.79	14.59	14,786	89,454
Aug	14.89	+0.01	14.95	14.80	4,509	33,544
Sep	15.10	-0.01	15.17	15.05	1,497	16,314
Oct	15.33	–	–	–	1,157	9,775
Nov	15.47	-0.04	15.54	15.47	33	10,718
Dec	15.65	-0.02	15.73	15.63	405	37,298
Total					n/a	n/a

HEATING OIL, NYMEX (42,000 US gells.; c/US gells.)

	Latest price	Day's change	High	Low	Vol	Open Int
Jun	42.50	-0.13	42.80	42.35	12,937	39,904
Jul	43.60	-0.01	43.70	43.20	5,167	34,246
Aug	44.85	+0.04	44.70	44.30	1,993	13,192
Sep	45.85	-0.11	45.75	45.40	1,978	11,971
Oct	46.85	-0.01	46.90	46.75	824	9,842
Nov	47.95	+0.04	47.95	47.80	599	9,089
Total					27,194	175,381

GAS OIL, IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
Jun	131.75	-1.00	133.00	131.25	5,746	33,945
Jul	134.25	-0.75	135.25	133.75	2,515	12,372
Aug	137.00	-1.00	137.75	136.75	1,283	10,617
Sep	140.25	-0.50	140.75	139.50	465	11,529
Oct	143.25	-0.25	143.75	142.75	257	14,731
Nov	145.75	-0.25	146.25	145.25	24	8,548
Total					21,490	137,086

NATURAL GAS IPE (1,000 therms; pence per therm)

Jun	6.760	-0.060	6.800	6.760	170	1,335
Jul	6.870	-0.100	6.950	6.850	40	1,589
Total					945	19,615

NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open Int
Jun	2.210	+0.010	2.215	2.180	28,308	38,834
Jul	2.250	+0.007	2.265	2.215	9,789	30,426
Aug	2.295	+0.002	2.300	2.275	4,806	22,981
Sep	2.325	-0.003	2.335	2.315	3,619	18,369
Oct	2.370	-0.003	2.385	2.365	3,023	17,623
Nov	2.515	+0.005	2.530	2.500	1,455	12,175
Total					56,002	298,016

UNLEADED GASOLINE
NYMEX (42,000 US gells.; c/US gells.)

	Latest price	Day's change	High	Low	Vol	Open Int
Jun	51.80	+0.01	52.30	51.55	13,115	35,536
Jul	52.90	-0.03	53.25	52.70	5,856	29,869
Aug	53.30	–	53.80	53.10	1,549	16,559
Sep	52.90	+0.02	53.15	52.80	1,304	13,755
Oct	51.80	+0.02	51.80	51.80	4	4,398
Nov	51.15	-0.03	51.15	51.15	127	1,196
Total					22,195	104,893

FUTURES DATA
All futures data supplied by CMS.

Spices from Man Production
Prices in US$ per tonne. The pepper market has shown little signs of activity this week and prices generally eased for most black and white grades. Business with Indonesia came to a standstill late in the week, but prices were not affected. In India there was some commotion over a possible US import ban, sending prices down, though they recovered swiftly. Black pepper: FAO spot Europe cif 55,400. White pepper: FAO cif about 38,100.

GRAINS AND OIL SEEDS

WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	76.50	–	76.50	76.50	21	132
Jul	77.75	-0.15	78.00	77.30	298	1,658
Sep	78.25	+0.25	–	–	–	180
Nov	80.25	+0.25	80.40	79.90	31	3,193
Jan	82.25	+0.25	–	–	–	888
Total					350	6,049

WHEAT CBT (5,000bu min; cents/60lb bushel)

May	294.25	-1.75	298.00	294.00	109	183
Jul	302.50	-2.25	305.00	302.00	9,699	66,572
Sep	312.75	-2.25	314.50	312.25	2,032	16,862
Dec	328.00	-2.00	331.00	327.25	1,900	24,946
Mar	341.50	-0.50	341.50	339.75	357	4,675
Jul	352.00	–	–	–	125	946
Total					14,344	118,288

MAIZE CBT (5,000 bu min; cents/56lb bushel)

May	239.25	-1.25	240.00	238.25	2,482	1,985
Jul	248.25	-1.75	248.50	246.50	23,559	148,242
Sep	253.25	-2.00	254.25	252.50	2,351	40,416
Dec	259.25	-1.50	261.00	258.00	14,446	125,435
Mar	266.75	-1.75	267.00	265.75	1,407	17,822
May	271.50	-1.75	271.50	271.00	408	2,141
Total					47,655	345,499

BARLEY LIFFE (100 tonnes; £ per tonne)

May	76.00	–	–	–	–	33
Sep	75.00	–	–	–	–	27
Nov	77.00	–	78.50	76.50	5	824
Jan	79.00	–	79.00	79.00	5	177
Mar	81.00	–	81.00	81.00	2	39
Total					12	1,122

SOYABEANS CBT (5,000bu min; cents/60lb bushel)

May	647.75	-4.25	650.00	647.30	1,332	3,200
Jul	641.25	-4.25	645.00	640.50	21,614	67,059
Aug	639.25	-3.25	642.50	639.00	1,272	15,322
Sep	626.50	-4.00	630.00	626.50	828	4,572
Nov	621.50	-3.00	624.75	621.00	8,994	47,621
Jan	628.50	-3.25	631.75	628.50	316	2,918
Total					34,456	140,694

SOYABEAN OIL, CBT (60,000lbs; cents/lb)

May	28.08	-0.17	28.30	27.85	1,101	846
Jul	28.25	-0.21	28.65	28.07	26,594	67,808
Aug	28.39	-0.20	28.77	28.20	3,574	22,085
Sep	28.45	-0.22	28.89	28.25	1,613	13,086
Oct	28.33	-0.17	28.65	28.18	383	7,830
Dec	28.16	-0.16	28.50	27.92	5,394	26,924
Total					38,659	163,757

SOYABEAN MEAL, CBT (100 tons; $/ton)

May	154.4	-0.4	155.0	153.5	858	1,039
Jul	158.2	-0.1	159.5	156.9	14,420	63,076
Aug	159.4	-0.3	160.7	158.3	2,182	18,814
Sep	160.4	-1.0	162.0	159.6	854	14,106
Oct	160.6	-0.9	162.3	159.8	473	9,931
Dec	163.4	-0.5	164.7	161.5	3,666	23,516
Total					22,258	130,514

POTATOES LIFFE (20 tonnes; £ per tonne)

Jun	140.0	–	–	–	–	–
Nov	90.0	–	–	–	–	3
Mar	133.5	+3.5	–	–	–	–
Apr	163.5	+7.5	165.0	160.1	141	1,356
May	192.5	+7.5	–	–	–	29
Total					141	1,388

FEED WHEAT (GIFTED) LIFFE ($10/delivery point)

May	995	+5	995	995	2	330
Jun	915	+5	915	915	1	70
Jul	910	+5	–	–	–	389
Oct	1010	+5	–	–	–	276
Jan	1040	+5	–	–	–	133
Total					3	1,198

	Close	Prev
NFI	993	988

PULP AND PAPER

PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open Int
Jun	521.50	-3.50	525.00	521.50	42	541
Sep	546.00	+1.00	546.50	545.00	34	414
Total					88	1,955

SOFTS

COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	1136	+4	1140	1130	54	124
Jul	1158	+6	1165	1150	9,332	30,365
Sep	1176	+6	1183	1174	591	21,878
Dec	1193	+6	1200	1191	5,825	31,995
Mar	1210	+5	1217	1208	320	37,712
May	1222	+5	1229	1223	78	13,237
Total					15,994	145,709

COCOA CSCE (10 tonnes; $/tonne)

Jul	1740	-9	1759	1733	5,598	27,371
Sep	1759	-8	1777	1755	2,072	15,296
Dec	1785	+7	1786	1777	509	15,194
Mar	1812	-7	1823	1810	1,219	8,851
May	1829	-7	1836	1828	100	3,869
Jul	1846	-7	1850	1836	5	1,461
Total					10,503	80,882

COCOA (ICCO) (SDR/tonne)

	Price	Prev. day
May 14	1658.40	1661.94

COFFEE LIFFE (5 tonnes; $/tonne)

May	2115	-85	2260	2120	561	3,758
Jul	1880	-100	2130	1880	8,223	22,985
Sep	1795	-105	1985	1830	1,088	8,215
Nov	1745	-105	1950	1800	395	2,903
Jan	1695	-105	1795	1780	16	199
Mar	1845	-105	1900	1800	700	357
Total					9,471	37,618

COFFEE 'C' CSCE (37,500lbs; cents/lb)

May	126.50	-1.25	131.00	128.00	46	500
Jul	125.95	-3.05	129.75	124.60	5,801	17,204
Sep	128.55	-2.53	132.00	128.75	1,177	6,253
Dec	120.30	-2.80	124.00	119.75	432	7,002
Mar	117.10	-2.80	120.25	117.00	157	2,458
May	115.10	-3.15	119.00	115.00	47	1,016
Total					7,660	32,633

COFFEE (ICO) (US cents/pound)

	Price	Prev. day
May 14		
Comp. daily	118.73	113.24
15 day average	113.70	113.62

WHITE SUGAR LIFFE ($0 tonnes; $/tonne)

Aug	282.0	-2.6	284.8	282.0	763	16,778
Oct	281.5	-2.5	284.1	282.0	409	11,136
Dec	283.6	-2.9	285.0	284.0	85	2,018
Mar	268.1	-2.6	270.7	268.5	21	2,314
May	271.1	-2.6	–	–	–	536
Aug	274.3	-1.2	–	–	–	250
Total					1,278	33,948

SUGAR '11' CSCE (112,000lbs; cents/lb)

Jul	9.08	-0.15	9.23	9.07	7,282	77,819
Oct	9.30	-0.11	9.40	9.28	1,980	51,581
Mar	9.70	-0.10	9.78	9.70	1,592	25,828
May	9.75	-0.12	9.82	9.82	258	3,963
Jul	9.81	-0.13	9.86	9.86	66	3,891
Oct	9.81	-0.13	9.85	9.85	187	4,056
Total					11,375	167,087

COTTON NYCE (50,000lbs; cents/lb)

Jul	66.28	+0.51	66.70	65.82	3,811	30,916
Oct	69.09	+0.24	69.50	68.76	80	4,155
Dec	70.38	+0.23	70.75	70.05	2,836	33,540
Mar	71.70	+0.27	71.85	71.75	328	7,534
May	72.30	+0.10	72.60	72.30	182	3,315
Jul	72.97	+0.07			34	2,223
Total					7,461	84,784

ORANGE JUICE NYCE (15,000lbs; cents/lb)

Jul	110.35	-4.15	113.05	110.00	2,454	22,872
Sep	113.40	-4.15	116.30	113.50	136	6,365
Nov	115.50	-4.10	118.30	115.40	46	4,359
Jan	117.40	-4.10	–	–	30	2,070
Mar	119.80	-4.10	122.50	122.50	31	1,088
May	122.80	-4.10	–	–	27	980
Total					2,685	37,792

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

Reuters (Base: 18/9/31 = 100)

May 15	May 14	month ago	year ago
1633.8	1628.9	1645.3	2017.4

CRB Futures (Base: 1967 = 100)

May 14	May 13	month ago	year ago
223.79	223.10	–	–

CRB Spot (Base: 1970 = 100)

May 14	May 13	month ago	year ago
184.41	184.04	185.87	199.87

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open Int
Jun	66.800	-0.800	67.350	66.550	7,136	37,300
Aug	68.075	-0.400	68.600	68.000	3,384	28,341
Oct	68.425	–	68.725	68.225	1,572	14,725
Dec	69.325	-0.075	69.750	69.325	492	5,927
Feb	70.425	+0.025	70.600	70.350	38	2,062
Apr	71.500	+0.125	71.600	71.500	18	573
Total					12,700	88,928

LEAN HOGS CME (40,000lbs; cents/lb)

Jun	62.350	-0.050	62.500	61.825	5,329	12,630
Jul	61.725	-0.025	62.175	61.575	4,574	9,361
Aug	58.375	+0.275	58.800	57.900	1,400	5,480
Oct	53.400	+0.075	53.500	53.050	354	3,972
Dec	53.975	+0.075	53.975	53.375	751	3,971
Feb	56.075	-0.050	56.500	56.000	67	916
Total					11,594	36,890

PORK BELLIES CME (40,000lbs; cents/lb)

May	58.925	-1.175	62.000	58.500	128	522
Jul	52.075	-0.675	54.300	52.350	1,358	4,746
Aug	50.050	-0.750	51.400	50.000	279	1,272
Total					1,765	6,542

LONDON TRADED OPTIONS

Strike price $ tonne	Calls Jun	Calls Sep	Puts Jun	Puts Sep
ALUMINIUM (99.7%) LME				
1300	22	64	20	36
1400	5	40	54	81
1450	1	23	88	84
COPPER (Grade A) LME				
1600	136	182	3	37
1700	57	100	34	96
1800	14	58	81	122
COFFEE LIFFE				
1850	98	160	68	215
1900	74	144	94	249
1950	55	129	128	284
COCOA LIFFE				
1125	48	79	17	38
1150	35	65	29	58
1175	24	52	43	81
SUGAR CSCE FF				
1450	22	-	-	42
1500	8	-	14	-
1550	-	21	-	-

LONDON SPOT MARKETS

CRUDE OIL FOB (per barrel)

		+/-
Dubai	$12.69-3.03c	-0.175
Brent Blend (dated)	$14.65-4.71	+0.115
Brent Blend (Jun)	$14.96-5.02	-0.115
W.T.I.	$14.78-4.80c	-0.45

OIL PRODUCTS NWE (prompt delivery CIF (tonne))

Premium Gasoline	$167-169	+1
Gas Oil	$130-131	-1
Heavy Fuel Oil	$69-62	
Naphtha	$140-142	-2
Jet fuel	$145-147	-1
Diesel	$135-136	-2

NATURAL GAS (Pence/therm)

Bacton (Jun)	8.75-8.80	-0.05

Reuters Argus Tel. London (0171) 250 8700

OTHER

Gold (per troy oz)$	$300.45	+2.70
Silver (per troy oz)¢	355.25c	+3.75
Platinum (per troy oz.)	$403.00	+1.00
Palladium (per troy oz.)	$392.00	+4.00
Copper	$3.0p	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	27.5dr	
Tin (New York)	279.5	+3.0
Cattle (live weight)	85.57p	-1.05*
Sheep (live weight)	140.43p	+7.85*
Pigs (live weight)†	70.28p	+0.57*
Lon. dly sugar (raw)	$234.40	-0.90
Lon. dly sugar (wte)	$271.80	-0.30
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£100.00	
Wheat (US Dark North)	Unq.	
Rubber (Jun)¶	48.00p	
Rubber (Jul)¶	48.00p	
Rubber (KL RSS No1)	298.00m	+0.50
Coconut Oil (Phil)$	755.0y	+20.0
Palm Oil (Malay)$	730.0	
Copra (Phil)$	$453.0y	
Soyabeans (US)	180.0	
Cotton Outlook 'A' Index	64.35	+0.45
Wool tops (64s Super)	367p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r regraded kg. m Malaysian cents/kg. y Jun/Jul. z Jul. *London Physical. † Cif Rotterdam. $ Indian market close. * Change on week. Closed on the head of pigs sale.

WORLD BOND PRICES

Focus turns on Federal Reserve

GOVERNMENT BONDS

By Jeremy Grant in London and John Labate in New York

European bond markets drifted lower, tracking overnight falls in US Treasuries, ahead of the US Federal Reserve policy meeting next week and UK economic data.

US TREASURIES rose by midday on a stronger dollar. The benchmark 30-year long bond had climbed ⅜ to 102 5/32, sending the yield lower to 5.969.

The 10 year note rose ⅜ to 99⅝, to yield 5.675 per cent, while the two year note inched ⅛ to 100 3/32, to yield 5.606 per cent.

UK GILTS broke through key support at around 107.80, with the June 10-year future settling 0.40 basis points lower at 107.54. Volume continued to be heavy, with 90,000 contracts traded. Yields were up by 5-6 basis points across the curve, mainly due to weaker overseas markets.

Analysts expect April retail prices, released on Tuesday, to reflect continuing strength in the consumer economy but most discount an early rise in interest rates.

"Rates probably have peaked but it's going to be a bumpy ride over the next few months. Bank (of England) meetings are going to jangle people's nerves," said Jonathan Loynes, UK economist at HSBC.

In the cash market, the spread over bunds widened to 106 basis points from 102.

GERMAN BUNDS were lower in light volume with the market shifting its focus from domestic interest rate issues to next week's Fed meeting.

The June bund futures contract settled at 106.71, down 0.18 basis points.

BENCHMARK GOVERNMENT BONDS

May 15	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/08	7.000	103.5298	5.83	+0.03	+0.04	+0.11	-1.26
	10/07	10.000	131.0457

Yen falls

MARKETS REPORT

By Simon Kuper

The yen slid further yesterday on signs that it would receive little help from this weekend's Group of Eight summit in Birmingham, the UK.

This is partly because presidents and prime ministers will dominate the summit, and they tend to steer clear of financial markets. Furthermore, the US has disassociated itself from Japan's recent interventions for the yen.

The political crisis in Indonesia also continued to undermine the yen yesterday. But most currencies were quiet, as the market awaited the G8 summit and Tuesday's crucial meeting of the Federal Reserve's open market committee.

In late US trading the dollar was Y0.3 stronger against the yen at Y134.4. Against the D-Mark, the dollar rose 0.8 pfennigs to DM1.7865. However, an unexpected 0.7 per cent jump in Portuguese consumer prices for April suggested that inflation pressures in peripheral European countries might push rates in the future Euro-zone higher.

The Czech koruna continued to rise, although analysts warned that jitters ahead of next month's general elections could soon prompt a sell-off. The Norwegian krone fell from NKr4.192 to NKr4.202 against the D-Mark, a new 10-month low, after Norway's revised budget was seen as doing little to stop the economy from overheating.

The market upgraded its forecast of UK rate rises again. Short sterling futures contracts dropped for the third day running, with the September 1999 contract falling 6 basis points. The money market is now pricing in a very high chance of another rise in base rates, and expects rates to fall below their present 7.25 per cent only at the start of 1999.

■ The most the G8 communiqué might say about currencies is that the US shares Japan's concern about the weak yen, predicts Philippa Malmgren, currency strategist at Bankers Trust in London, who talks often to Washington and Tokyo officials.

The US is not about to support intervention for the Japanese currency, she says. That is because Robert Rubin, US treasury secretary, is keener on helping *the bond market by keeping* the dollar strong than on pleasing Tokyo by letting the yen rise.

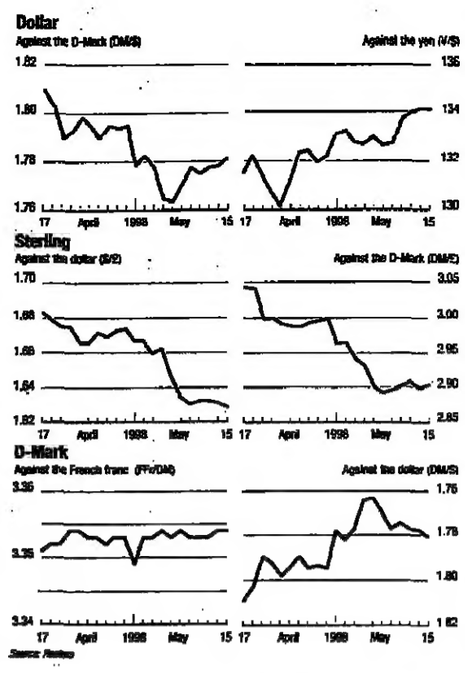
The US believes that the yen will recover only when the Japanese economy comes to life. According to Ms Malmgren, Mr Rubin accepts that Tokyo will do nothing more for now to make that happen. She says the Y16,000bn stimulus package that Japan revealed in April was the last in a string of packages. Tokyo will wait to see their effects before it tries anything else.

Ms Malmgren adds that Japan's will to intervene is also diminishing. "Only one part of the Japanese government supports an intervention policy at all, and that's the ministry of finance." However, Ms Malmgren is only a moderate yen bear: "If the yen falls through Y135, the level the finance ministry wants to defend, I still think they will draw a new line in the sand at Y140."

Carl Weinberg, chief economist at High Frequency Economics in New York, foresees another problem for the yen: the season for Japanese company reports has begun. A run of bad reports will hurt the Nikkei and the currency, he says. The Indonesian crisis could also damage the yen, even though the country plays a minute role in regional trade. "The fact that people think that Indonesia's important makes it important," says Mr Weinberg.

■ POUND IN NEW YORK

May 15	Latest	Prev. close
2 spot	1.6240	1.6310
1 mth	1.6216	1.6285
3 mth	1.6170	1.6240
1 yr	1.6094	1.6073



POUND SPOT FORWARD AGAINST THE POUND

May 15	Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe												
Austria (Sch)	20.4237	+0.0233	141 - 332	20.4820	20.3823	20.3598	3.9	20.2327	3.7	19.7597	3.3	103.1
Belgium (BFr)	58.8917	+0.045	381 - 453	60.0500	59.7800	59.7	3.8	58.3293	3.8	57.8368	3.3	102.6
Denmark (DKr)	11.0546	+0.0101	500 - 590	11.0925	11.0354	11.029	2.7	10.9808	2.7	10.7797	2.5	105.0
Finland (FM)	8.8207	+0.0107	129 - 284	8.8470	8.8070	8.7914	4.0	8.7429	3.6	8.5369	3.2	88.8
France (FFr)	9.7354	+0.0115	308 - 399	9.7535	9.7164	9.7032	4.0	9.6428	3.6	9.4141	3.3	108.0
Germany (DM)	2.9025	+0.0033	012 - 038	2.9120	2.8965	2.8929	3.6	2.875	3.8	2.8073	3.3	104.0
Greece (Dr)	502.101	+0.424	911 - 290	504.441	501.437	504.163	-5.0	508.007	-4.7	520.526	-3.7	59.6
Ireland (IR)	1.1511	-0.0005	500 - 521	1.1558	1.1500	1.1503	0.8	1.1476	1.1	1.1281	2.0	84.8
Italy (L)	2861.87	+3.5	004 - 371	2870.46	2855.39	2857.16	2.0	2845.23	2.3	2783.39	2.7	76.0
Luxembourg (LFr)	58.8917	+0.045	381 - 453	60.0500	59.7800	59.7	3.8	58.3293	3.8	57.8368	3.3	102.6
Netherlands (Fl)	3.2712	+0.0042	701 - 723	3.2808	3.2648	3.2604	4.0	3.2403	3.8	3.1637	3.3	102.0
Norway (NKr)	12.1963	+0.0413	896 - 030	12.2243	12.1388	12.1613	3.4	12.0984	3.2	11.8805	2.8	98.3
Portugal (Esc)	297.373	+0.341	227 - 518	298.352	296.843	296.531	3.0	295.077	3.1	288.285	3.1	81.9
Spain (Pta)	246.317	+0.081	297 - 427	247.350	246.100	245.89	3.1	244.436	3.1	238.981	3.0	76.9
Sweden (SKr)	12.6090	+0.0612	011 - 168	12.6236	12.5486	12.5767	2.9	12.5223	2.7	12.3048	2.4	88.7
Switzerland (SFr)	2.4131	-0.0006	117 - 144	2.4208	2.4086	2.4013	5.9	2.3761	5.8	2.2868	5.2	100.0
UK (£)	-	-	-	-	-	-	-	-	-	-	-	103.2
Ecu	1.4738	+0.0014	730 - 746	1.4761	1.4712	1.4699	3.2	1.4622	3.1	1.4299	3.0	-
SDR†	1.209080	-	-	-	-	-	-	-	-	-	-	-
Americas												
Argentina (Peso)	1.5286	-0.0019	282 - 289	1.6343	1.5277	-	-	-	-	-	-	-
Brazil (R$)	1.8684	-0.0019	678 - 689	1.8741	1.8667	-	-	-	-	-	-	-
Canada (C$)	2.3635	+0.0018	625 - 644	2.3691	2.3573	2.3585	2.5	2.3496	2.4	2.3172	2.0	81.5
Mexico (New Peso)	13.8715	+0.0064	644 - 785	13.8186	13.6617	14.0052	-11.8	14.287	-12.0	15.5901	-12.4	-
USA ($)	1.6254	-0.0013	250 - 257	1.6348	1.6230	1.6259	1.8	1.6273	1.7	1.6357	1.5	110.4
Pacific/Middle East/Africa												
Australia (A$)	2.5968	-0.0071	936 - 992	2.6175	2.5921	2.5915	2.4	2.5909	2.4	2.5374	2.3	83.2
Hong Kong (HK$)	12.6243	-0.0067	212 - 274	12.6842	12.6149	12.6224	0.2	12.6298	-0.2	12.6742	-2.0	-
India (Rs)	66.0763	-0.014	234 - 332	66.5950	66.0234	-	-	-	-	-	-	-
Israel (Shk)	5.9773	-0.0061	685 - 851	5.9787	5.9695	-	-	-	-	-	-	-
Japan (Y)	218.463	-0.149	335 - 592	219.430	217.900	217.173	7.1	214.893	7.0	204.043	6.6	115.4
Malaysia ($M)	6.1001	-0.0598	925 - 076	6.2029	5.9853	6.2918	-31.8	6.3902	-19.0	6.8142	-11.7	-
New Zealand (NZ$)	3.0497	-0.0134	380 - 433	3.0630	3.0380	3.0447	-1.6	3.0324	-1.5	3.0706	-1.2	96.9
Philippines (Peso)	64.7698	+0.354	455 - 950	65.1890	64.245	65.2421	-8.8	66.1686	-8.6	70.4185	-8.7	-
Saudi Arabia (SR)	6.1111	-0.005	098 - 125	6.1305	6.1060	6.1043	1.3	6.0925	1.2	6.0462	1.0	-
Singapore ($S)	2.6728	-0.0279	718 - 760	2.6874	2.6534	2.6861	-5.5	2.6957	-3.4	2.7152	-1.5	-
South Africa (R)	8.2820	-0.0101	778 - 862	8.3055	8.2725	8.3354	-7.7	8.4207	-8.7	8.7398	-6.5	-
South Korea (Won)	2342.18	+22.87	762 - 877	2354.69	2323.76	-	-	-	-	-	-	-
Taiwan (T$)	54.4863	-0.0362	672 - 053	54.6476	54.4485	54.5427	-1.2	54.6489	-1.2	55.179	-1.3	-
Thailand (Bt)	63.3411	+0.1514	238 - 583	63.6050	63.1360	65.2798	-38.7	67.2051	-24.4	72.0539	-13.8	-

† Rates for May 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index released 10/5. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 15	Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe												
Austria (Sch)	12.5349	+0.0247	317 - 380	12.5500	12.5030	12.5127	2.1	12.4715	2.0	12.3045	1.8	103.0
Belgium (BFr)	36.7580	+0.058	330 - 830	36.7830	36.6300	36.6955	2.0	36.5705	2.0	36.083	1.6	102.7
Denmark (DKr)	6.7843	+0.0118	833 - 853	6.7921	6.7697	6.7791	0.9	6.7686	0.9	6.7136	1.0	104.5
Finland (FM)	5.4128	+0.011	160 - 172	5.4207	5.4005	5.4037	2.2	5.389	1.8	5.3186	1.8	80.5
France (FFr)	5.9750	+0.012	735 - 765	5.9784	5.9533	5.9842	2.2	5.9436	2.1	5.8631	1.9	105.7
Germany (DM)	1.7814	+0.0035	810 - 818	1.7837	1.7773	1.7782	2.2	1.7723	2.1	1.7484	1.8	103.8
Greece (Dr)	308.160	+0.515	110 - 210	308.960	307.350	308.91	-8.8	313.135	-6.5	324.185	-5.2	59.7
Ireland (IR)	1.4155	-0.0005	145 - 165	1.4175	1.4125	1.4143	1.0	1.4134	0.8	1.4233	-0.6	-
Italy (L)	1756.45	+3.6	570 - 720	1758.30	1750.30	1755.2	0.2	1753.8	0.6	1733.5	1.3	75.9
Luxembourg (LFr)	36.7580	+0.058	330 - 830	36.7830	36.6300	36.6955	2.0	36.5705	2.0	36.083	1.8	102.7
Netherlands (Fl)	2.0077	+0.0043	074 - 079	2.0103	2.0005	2.0041	2.2	1.9973	2.1	1.9703	1.9	102.0
Norway (NKr)	7.4854	+0.0316	828 - 879	7.4938	7.4526	7.4752	1.6	7.4581	1.5	7.3882	1.2	95.8
Portugal (Esc)	182.510	+0.36	460 - 560	182.670	182.100	182.329	1.2	181.885	1.4	179.55	1.5	92.5
Spain (Pta)	151.175	+0.175	140 - 210	151.320	150.800	151.018	1.3	150.67	1.3	148.825	1.6	76.8
Sweden (SKr)	7.7367	+0.044	355 - 418	7.7468	7.7001	7.7317	1.1	7.7188	1.0	7.6633	1.0	86.8
Switzerland (SFr)	1.4810	+0.0008	805 - 815	1.4835	1.4782	1.476	4.1	1.4659	4.1	1.4242	3.8	105.9
UK (£)	1.6294	-0.0013	290 - 297	1.6348	1.6280	1.6269	1.8	1.6233	1.7	1.6057	1.5	102.3
Ecu	1.1058	-0.002	052 - 059	1.1079	1.1049	1.1069	-1.4	1.1095	-1.4	1.123	-1.6	-
SDR†	0.74489	-	-	-	-	-	-	-	-	-	-	-
Americas												
Argentina (Peso)	0.9995	-0.0004	995 - 995	0.9995	0.9995	-	-	-	-	-	-	-
Brazil (R$)	1.1467	-0.0002	466 - 468	1.1469	1.1467	-	-	-	-	-	-	-
Canada (C$)	1.4508	+0.0023	503 - 508	1.4508	1.4485	1.4497	0.7	1.4482	0.6	1.4431	0.5	81.7
Mexico (New Peso)	8.5135	+0.011	110 - 160	8.5170	8.5070	8.6065	-13.4	8.8065	-13.8	9.7085	-14.0	-
USA ($)	-	-	-	-	-	-	-	-	-	-	-	111.2
Pacific/Middle East/Africa												
Australia (A$)	1.5936	+0.0006	924 - 949	1.6038	1.5881	1.5923	0.6	1.5902	0.9	1.5785	0.9	83.2
Hong Kong (HK$)	7.7481	+0.0011	478 - 483	7.7494	7.7484	7.7585	-1.6	7.7861	-1.9	8.0181	-3.5	-
India (Rs)	40.5550	+0.025	300 - 800	40.7700	40.5300	-	-	-	-	-	-	-
Israel (Shk)	3.6665	-0.0007	645 - 725	3.6725	3.6645	-	-	-	-	-	-	-
Japan (Y)	134.080	+0.02	030 - 130	134.340	133.480	133.49	5.3	132.315	5.3	127.06	5.2	116.5
Malaysia ($M)	3.7439	-0.0336	400 - 477	3.8350	3.5700	3.8469	-33.7	3.9389	-20.6	4.2439	-13.4	-
New Zealand (NZ$)	1.8682	-0.0066	650 - 674	1.8751	1.8535	1.8693	-2.0	1.8747	-1.8	1.8035	-1.5	-
Philippines (Peso)	39.7800	+0.25	000 - 000	40.0000	39.5000	40.102	-10.8	40.765	-10.4	43.6585	-10.3	-
Saudi Arabia (SR)	3.7505	-	505 - 507	3.7507	3.7505	3.7521	-0.5	3.7552	-0.5	3.7674	-0.4	-
Singapore ($S)	1.6410	-0.0188	400 - 420	1.6520	1.6330	1.651	-7.3	1.6623	-5.2	1.691	-3.0	-
South Africa (R)	5.0830	-0.002	815 - 845	5.0860	5.0770	5.1235	-9.8	5.1905	-8.5	5.443	-7.1	-
South Korea (Won)	1437.50	+15	300 - 000	1443.00	1423.00	-	-	-	-	-	-	-
Taiwan (T$)	33.4405	+0.0066	360 - 450	33.4450	33.3950	33.5255	-3.1	33.6855	-2.9	34.3655	-2.8	-
Thailand (Bt)	38.8750	+0.125	500 - 000	38.1000	38.6500	40.125	-38.6	41.425	-26.2	44.875	-15.4	-

† SDR rate per $ for May 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 14 (base average 1989=100). Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE TRADEDITEPS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 15	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3½	3⅝	3¾	3⅞	4	6.00	2.75	-
France	3¾	3⅝	3¾	3⅞	3¾	4.60	-	3.30
Germany	3¾	3½	3⅜	3⅜	3⅜	4.50	2.50	3.30
Ireland	8¾	6½	6¼	5¾	5⅝	-	-	6.75
Italy	5¾	5½	5¼	4¾	4½	6.50	5.00	5.63
Netherlands	3½	3½	3¾	3⅝	3⅞	-	2.75	3.30
Switzerland	1⅝	1⅝	1¾	1⅞	1⅞	-	1.00	-
US	5¼	5⅜	5⅝	5¾	5¾	-	5.00	-
Japan	¼	½	⅝	⅞	⅞	-	0.50	-
$ LIBOR BBA London								
Interbank Fixing	-	5¾	5¾	5¾	5¾	-	-	-
US Dollar CDs	-	5.44	5.47	5.53	5.67	-	-	-
ECU Linked Ds	-	4¼	4¼	4¼	4¼	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3¾	3¾	-	-	-

London unofficial fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¾ - 3½	3¾ - 3½	3¾ - 3½	3⅞ - 3⅝	3¾ - 3¾	4¼ - 3¾
Danish Krone	5 - 4	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾
German Mark	3¾ - 3½	3¾ - 3½	3¾ - 3½	3⅞ - 3⅝	3¾ - 3⅝	3¾ - 3⅝
Dutch Guilder	3⅞ - 3½	3¾ - 3½	3¾ - 3½	3⅞ - 3½	3⅞ - 3½	3¾ - 3½
French Franc	3¾ - 3½	3¾ - 3½	3¾ - 3½	3¾ - 3⅝	3¾ - 3⅝	3¾ - 3⅝
Portuguese Esc.	4¾ - 4½	4¾ - 4½	4¾ - 4½	4¾ - 4½	4¾ - 4½	4¾ - 4½
Spanish Peseta	4¾ - 4½	4⅞ - 4¾	4⅞ - 4¾	4¾ - 4½	4¾ - 4½	4¾ - 4½
Sterling	7⅞ - 7⅝	7⅞ - 7¾	7½ - 7⅜	7½ - 7⅜	7½ - 7⅜	7½ - 7⅜
Swiss Franc	2⅞ - 1⅝	1⅞ - 1½	1⅞ - 1½	1⅞ - 1⅝	1⅞ - 1⅝	1⅞ - 1⅝
Canadian Dollar	5¼ - 4¾	5¼ - 4¾	5¼ - 5	5¼ - 4¾	5¼ - 5¼	5¼ - 5¼
US Dollar	5¾ - 5¼	5¾ - 5½	5¾ - 5½	5¾ - 5½	5¾ - 5¾	5¾ - 5¾
Italian Lira	5¾ - 5½	5¾ - 5½	5¾ - 5½	5¾ - 4¾	4¾ - 4¾	4¾ - 4¼
Japanese Yen	½ - ⅜	½ - ⅜	½ - ⅜	⅞ - ⅝	⅞ - ⅝	⅞ - ⅝
Asian $Dep	4¾ - 4¼	8 - 6	8½ - 7⅜	8 - 7	7⅞ - 6¾	7¼ - 6

Short term rates are call for the US Dollar and Yen, others two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF)Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.360	96.345	-0.010	96.360	96.345	6,276	74,483
Sep	96.165	96.160	+0.005	96.185	96.155	3,919	35,054

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.315	96.325	-	96.330	96.315	31301	389148
Sep	96.160	96.155	-0.010	96.185	96.150	28109	384703
Dec	95.935	95.930	-0.015	95.945	95.930	12527	434778
Mar	95.815	95.795	-0.020	95.815	95.795	14390	366131

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
May	-	96.445	-0.005	-	-	0	297
Jun	-	96.395	-0.005	-	-	0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.230	95.210	-0.030	95.240	95.210	13185	253615
Sep	95.730	95.710	-0.030	95.740	95.710	15112	250685
Dec	95.900	95.880	-0.020	95.910	95.880	5938	175525
Mar	95.800	95.780	-0.020	95.800	95.780	2024	203282

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.390	98.380	-0.005	98.410	98.350	6089	59860
Sep	98.200	98.180	-0.010	98.210	98.150	6720	51791
Dec	97.960	97.950	-0.010	97.980	97.930	1029	28452
Mar	97.870	97.860	-0.010	97.880	97.840	1249	10859

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.41	+0.03	-	-	0	n/a
Sep	-	99.43	+0.03	-	-	0	n/a
Dec	-	99.41	+0.03	-	-	0	n/a

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.745	95.750	-	95.750	95.745	367	12442
Sep	95.790	95.790	-0.010	95.790	95.775	36	17587
Dec	95.880	95.900	-	95.900	95.860	8	7164
Mar	-	95.800	-	-	-	0	5187

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.28	94.27	-	94.28	94.26	38,386	480,970
Sep	94.26	94.23	+0.01	94.27	94.22	57,478	446,181
Dec	94.17	94.15	+0.01	94.18	94.14	76,884	375,741

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.94	94.92	-	94.94	94.92	221	2,032
Sep	94.92	94.90	+0.01	94.92	94.89	42	1,208
Dec	-	94.80	-	-	-	1	38

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
96375	0	0.010			0.050	0.080		
96500	0	0.005	0.010	0.010	0.175	0.180	0.255	0.265
96625	0	0			0.300	0.300		
96750	0	0	0	0	0.425	0.425	0.595	0.595

Est. vol total, Calls 2216 Puts 5168. Previous day's open int., Calls 377811 Puts 458119

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jan	CALLS Sep	CALLS Dec	PUTS Jan	PUTS Sep	PUTS Dec
98500	0.020	0.055	0.055	0.140	0.375	0.605
98625	0			0.245		

Est. vol total, Calls 0 Puts 0. Previous day's open int., Calls 26588 Puts 9687

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jan	CALLS Sep	CALLS Dec	PUTS Jan	PUTS Sep	PUTS Dec
95125	0.125			0.040		
95250	0.060	0.480	0.650	0.100	0.820	0.920
95375	0.030			0.195		

Est. vol total, Calls 7742 Puts 1500 Previous day's open int., Calls 337724 Puts 294093

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
0.560	0.27	0.69	0.96	0.03	0.38	0.59
0.565	0.05	0.43	0.71	0.29	0.62	0.82
0.570	0.01	0.26	0.51	0.73	0.94	1.12

Previous day's vol., Calls 220 Puts 87 Prev day's open int., Calls 14,075Puts 22,185

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 15		BFr	DKr	FFr	DM	£	L	Y	HKr	$	Pta	SKr	SFr	C$	DS	A$	Y	Ecu
Belgium	(BFr)	100	18.46	16.25	4.846	1.922	4778	5.462	20.36	496.5	411.3	21.05	4.029	1.570	3.946	2.721	364.8	2.461
Denmark	(DKr)	54.18	10	8.807	2.626	1.041	2589	2.959	11.03	269.0	222.8	11.41	2.183	0.905	2.138	1.474	197.6	1.333
France	(FFr)	615.2	11.35	10	2.981	1.182	2940	3.360	12.53	305.5	253.0	12.95	2.476	1.027	2.428	1.674	224.4	1.514
Germany	(DM)	20.63	3.806	3.354	1	0.397	988.0	1.127	4.202	102.5	84.86	4.344	0.831	0.345	0.814	0.561	75.27	0.508
Ireland	(IR)	52.03	9.603	8.458	2.522	1	2495	2.842	10.60	258.3	214.0	10.95	2.096	0.869	2.053	1.416	189.8	1.280
Italy	(L)	2.093	0.386	0.340	0.101	0.040	100	0.114	0.426	10.39	8.607	0.441	0.084	0.035	0.083	0.057	7.634	0.052
Netherlands	(Fl)	18.31	3.379	2.976	0.887	0.352	874.9	1	3.728	90.91	75.30	3.855	0.738	0.306	0.723	0.498	66.78	0.451
Norway	(NKr)	49.11	9.063	7.982	2.380	0.944	2347	2.682	10	243.8	202.0	10.34	1.979	0.820	1.936	1.335	179.1	1.208
Portugal	(Esc)	20.14	3.717	3.274	0.976	0.387	962.4	1.100	4.101	100	82.83	4.240	0.811	0.336	0.795	0.548	73.46	0.496
Spain	(Pta)	24.31	4.488	3.952	1.178	0.467	1162	1.329	4.951	120.7	100	5.119	0.980	0.406	0.960	0.661	88.69	0.598
Sweden	(SKr)	47.50	8.767	7.721	2.302	0.913	2270	2.594	9.673	235.8	195.3	10	1.914	0.793	1.874	1.292	173.3	1.169
Switzerland	(SFr)	24.82	4.581	4.034	1.203	0.477	1186	1.356	5.054	123.2	102.1	5.225	1	0.414	0.979	0.675	90.53	0.611
UK	(£)	59.89	11.05	9.736	2.903	1.151	2862	3.271	12.20	297.4	246.3	12.61	2.413	1	2.364	1.629	218.5	1.474
Canada	(C$)	25.34	4.677	4.119	1.228	0.487	1211	1.384	5.160	125.8	104.2	5.335	1.021	0.423	1	0.689	92.43	0.624
USA	($)	36.76	6.784	5.975	1.781	0.706	1756	2.008	7.485	182.5	151.2	7.739	1.481	0.614	1.451	1	134.1	0.904
Japan	(Y)	27.41	5.060	4.456	1.329	0.527	1310	1.497	5.583	136.1	112.7	5.772	1.105	0.458	1.082	0.746	100	0.675
Ecu	-	40.64	7.501	6.606	1.970	0.781	1942	2.220	8.276	201.8	167.1	8.556	1.637	0.679	1.604	1.105	148.2	1

Dutch Guilder, French Franc, Norwegian Krone, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

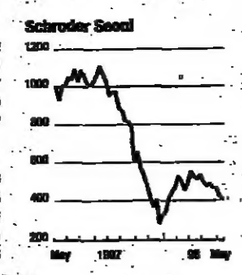
May 15	Ecu cent. rates	Ratio against Ecu	Change on day	% +/- from cent. rate	% spread v weakest	Div. ind.
Greece	357.000	340.987	+0.614	-4.49	4.23	30
Ireland	0.795244	0.781595	+0.00077	-1.84	1.42	12
Italy	1957.61	1940.69	+1.75	-0.86	0.43	6
Spain	168.220	167.079	+0.047	-

UNIT TRUSTS

WINNERS AND LOSERS

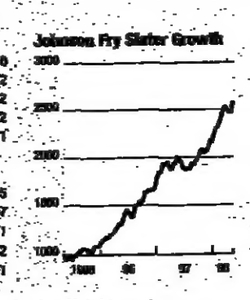
TOP FIVE OVER 1 YEAR	
Exeter Capital Growth	1,702
Royal London European Growth	1,634
Baring German Growth	1,627
Invesco European Growth	1,540
Dresdner RCM European Special	1,537

BOTTOM FIVE OVER 1 YEAR	
HSBC Singapore & Malaysian Gth	378
Fidelity ASEAN	405
Schroder Seoul	406
Save & Prosper Korea	430
Save & Prosper Gold & Exp	435



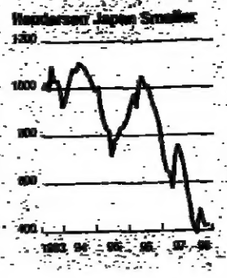
TOP FIVE OVER 3 YEARS	
Invesco European Growth	2,710
NatWest UK Smaller Cos	2,672
Invesco European Small Cos	2,632
Threadneedle Euro Sel Gt Acc R	2,602
Johnson Fry Slater Growth	2,571

BOTTOM FIVE OVER 3 YEARS	
Old Mutual Thailand Acc	215
Save & Prosper Korea	257
Schroder Seoul	271
Baring Korea	312
Fidelity ASEAN	361



TOP FIVE OVER 5 YEARS	
Invesco European Growth	3,906
Gartmore European Sel Opps	3,739
GA North America Growth	3,658
Threadneedle Euro Sel Gt Acc R	3,643
Invesco European Small Cos	3,602

BOTTOM FIVE OVER 5 YEARS	
Save & Prosper Korea	234
Schroder Japan Small Cos Acc	407
Fidelity Japan Smaller Cos	422
Henderson Japan Smaller Cos	424
Baring Japan Spirit	438



TOP FIVE OVER 10 YEARS	
F&C US Small Companies	10,774
GA North America Growth	8,968
Hill Samuel US Smaller Cos	8,913
Framlington Health	7,946
Framlington Financial	7,803

BOTTOM FIVE OVER 10 YEARS	
Barclays Japan Inc	369
M&G Japan Acc	478
Baring Japan Spirit	485
Henderson Japan Smaller Cos	509
Invesco Japan Growth	580

Source: Reuters (Tel: 0905 817491)

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Indices

	1 year (£)	3	5	10	Volatility	Yield
Average Unit Trust	1104	1470	1798	3276	3.5	2.3
Average Investment Trust	1287	1651	2386	3958	5.0	4.3
Bank	1042	1118	1263	1764	0.0	5.7
Building Society	1048	1113	1202	1766	0.0	5.4
Stockmarket FTSE All-Share	1381	1815	2383	4316	2.7	2.8
Inflation	1125	1369	1573	2539	1.0	-

UK Growth

	1 year (£)	3	5	10	Volatility	Yield
Johnson Fry Slater Growth	1207	2571	2852	5248	2.9	0.7
OM Hartley Growth	1322	2323	2848	2838	3.0	0.4
Exeter Capital Growth	1702	2289	3288	-	4.4	-
Standard Life UK Eq Growth Acc	1275	2153	2526	4826	2.8	0.7
Mercury Recovery	1167	2122	2191	2711	2.9	1.5
SECTOR AVERAGE	1211	1746	2162	3191	2.8	1.4

UK Growth & Income

	1 year (£)	3	5	10	Volatility	Yield
Fleming Select UK Income	1326	2023	2512	3603	2.7	2.5
HSBC Footsie Fund	1279	1912	2192	-	3.1	1.7
Laurence Keen Income & Growth	1290	1909	2183	-	2.7	2.9
Britannia UK General Inc	1242	1804	2130	3002	2.8	2.4
Fidelity Moneybuilder Growth	1234	1902	-	-	2.7	2.1
SECTOR AVERAGE	1222	1720	2058	3303	2.8	2.1

UK Smaller Companies

	1 year (£)	3	5	10	Volatility	Yield
NatWest UK Smaller Cos	1263	2672	-	-	3.4	1.0
Gartmore UK Smaller Companies	1236	2325	2947	3353	3.3	1.0
Laurence Keen Smaller Cos	1273	2312	-	-	3.1	1.2
Schroder Smaller Companies Inc	1229	2111	2504	3165	3.0	0.8
Smith & Williamson Small Secs	1235	2110	2538	4082	3.4	-
SECTOR AVERAGE	1162	1654	1996	2597	3.1	1.4

UK Equity Income

	1 year (£)	3	5	10	Volatility	Yield
Jupiter Income	1216	2103	3021	5183	2.3	3.7
BWD UK Equity Income	1244	1910	2498	3471	2.5	3.4
Newton Higher Income	1312	1864	2181	3815	2.8	3.9
Lazard UK Income	1199	1877	2354	4139	2.8	3.9
Fidelity Income Plus	1290	1870	2024	2776	2.6	3.4
SECTOR AVERAGE	1225	1884	2041	3233	2.6	3.6

UK Equity & Bond Income

	1 year (£)	3	5	10	Volatility	Yield
HSBC High Income	1225	1741	-	-	2.1	6.1
Aberdeen Prolific Ext Income	1217	1715	2981	3085	2.5	3.6
Edinburgh High Distribution	1227	1677	1994	2472	2.4	3.2
Midland High Yield	1249	1574	1839	2651	2.2	4.8
Midland Monthly Income	1235	1673	-	-	2.3	3.6
SECTOR AVERAGE	1166	1530	1810	2691	2.1	4.7

UK Eq & Bd

	1 year (£)	3	5	10	Volatility	Yield
BWD Balanced Portfolio	1199	1985	2852	-	3.2	1.0
Perpetual High Income	1221	1790	2350	5197	2.6	3.4
Credit Suisse Monthly Inc Port	1226	1731	2254	-	2.5	3.2
Cantlife Income Dis	1225	1726	2044	3011	2.4	2.7
NPI UK Extra Income Inc	1212	1700	2114	-	2.3	2.0
SECTOR AVERAGE	1216	1867	2100	3427	2.4	2.8

UK Fixed Interest

	1 year (£)	3	5	10	Volatility	Yield
Aberdeen Prolific Fix Interest	1184	1628	1850	2635	1.4	7.4
CU PPT Monthly Income Plus	1178	1530	1722	-	1.8	6.9
CU PPT Preference Inc	1179	1507	1631	2208	2.1	8.3
Edinburgh Convertible	1181	1503	1485	1883	2.3	4.7
Dresdner RCM Preference Inc	1163	1477	1710	2470	1.4	7.8
SECTOR AVERAGE	1082	1362	1524	2092	1.6	6.1

UK Gilt

	1 year (£)	3	5	10	Volatility	Yield
Baring Exempt Fixed Interest	1165	1467	-	-	2.0	5.8
M&G Gilt & Fixed Interest	1123	1376	1560	2127	1.8	5.4
Mercury Long-Dated Bond	1119	1388	-	-	2.2	4.2
Gartmore PS Fixed Interest	1104	1337	1486	-	1.7	6.1
Murray Gilt	1104	1334	1478	2287	1.5	6.0
SECTOR AVERAGE	1094	1250	1360	2031	1.4	5.4

Far East exc Japan

	1 year (£)	3	5	10	Volatility	Yield
Friends Prov Australian	873	1231	1578	3911	4.2	-
HSBC Hong Kong Growth	825	1220	1825	5427	8.1	1.8
INVESCO Hong Kong & China	644	1088	1212	4888	9.2	0.8
Henry Cooke LG East Enterprise	714	945	-	-	8.6	1.4
GT Orient Acc	686	863	1094	-	7.8	0.2
SECTOR AVERAGE	568	626	858	2728	7.9	1.3

Far East inc Japan

	1 year (£)	3	5	10	Volatility	Yield
AIB Govett Greater China	648	898	1168	2398	8.3	-
Save & Prosper Far East Sm Cos	769	800	-	-	5.1	0.3
Smith & Williamson Far East	736	788	816	-	5.8	-
Schroder Far East Growth Inc	785	787	1095	-	5.8	0.2
Dresdner RCM Oriental Inc Inc	671	777	845	1678	5.3	3.4
SECTOR AVERAGE	645	685	838	1556	5.8	0.6

Japan

	1 year (£)	3	5	10	Volatility	Yield
GT Japan Growth	822	980	995	1217	3.4	0.0
Murray Japan Growth	876	878	839	-	4.8	-
Martin Currie Japan	778	863	878	-	5.4	-
Baillie Gifford Japanese	822	867	803	1078	5.4	-
Newton Japan	804	836	833	987	5.4	-
SECTOR AVERAGE	704	630	824	806	5.9	0.3

Europe

	1 year (£)	3	5	10	Volatility	Yield
INVESCO European Growth	1540	2710	3908	7272	4.7	-
INVESCO European Small Cos	1500	2632	3802	7086	4.3	-
Threadneedle Euro Sel Gt Acc R	1447	2602	3643	5982	4.8	-
Baring Europe Select	1274	2482	3986	5290	3.8	0.5
Jupiter European	1314	2481	3599	7174	3.6	0.4
SECTOR AVERAGE	1358	1954	2881	5316	3.8	0.5

Global Emerging Mkts

	1 year (£)	3	5	10	Volatility	Yield
Mercury Emerging Markets	795	1156	-	-	5.8	0.2
Stewart Ivory Emerging Market	800	1094	1544	-	5.6	0.8
Gartmore PS Emerging Markets	925	1028	1087	-	5.5	0.7
Save & Prosper Emerging Mkts	861	958	-	-	6.4	0.4
Rothschild FAP Emerging Mkts	843	959	-	-	5.3	-
SECTOR AVERAGE	886	918	1153	2487	5.6	0.9

International Equity Income

	1 year (£)	3	5	10	Volatility	Yield
GT International Income Inc	1243	1700	1963	4110	2.7	1.9
Martin Currie Int'l Income	1156	1618	1901	-	2.7	3.5
Mayflower Global Income	1234	1567	1978	3220	2.4	2.2
M&G International Income	1172	1513	1797	3729	2.7	3.6
Premier Global 100	1114	1447	1710	2023	3.2	0.6
SECTOR AVERAGE	1156	1530	1812	3158	2.8	2.3

International Fixed Interest

	1 year (£)	3	5	10	Volatility	Yield
Baring Global Bond	1030	1305	1409	-	1.5	5.1
AES Intl Bond & Convertible	1051	1254	1322	-	1.2	5.4
Newton International Bond	1055	1236	1321	-	2.0	4.6
Barclays BGI Intl Fix Int Inc	1021	1214	1270	-	1.0	4.6
Old Mutual Worldwide Bond Inc	1001	1180	1234	1987	1.5	5.0
SECTOR AVERAGE	1006	1075	1153	1871	1.7	5.0

International Equity & Bond

	1 year (£)	3	5	10	Volatility	Yield
Fleming General Opportunities	1233	1862	1896	-	2.1	2.9
Newton Intrepid	1181	1607	-	-	3.2	0.9
Bank of Ireland Ex Mgd Growth	1143	1584	1927	-	2.5	2.1
GA Income Portfolio	1152	1526	1773	-	3.8	2.3
Marks & Spencer Inv Portf Acc	1175	1524	1805	-	2.3	1.8
SECTOR AVERAGE	1139	1405	1632	2749	2.3	2.4

International Growth

	1 year (£)	3	5	10	Volatility	Yield
Framlington Financial	1416	2306	2637	7603	3.4	0.4
Save & Prosper Financial Secs	1241	2283	2871	5341	3.4	0.7
Framlington Health	1132	2065	2963	7946	7.1	-
Hill Samuel Financial	1232	1971	2443	4580	3.7	1.2
Edinburgh Financial	1253	1942	2307	3540	3.9	1.1
SECTOR AVERAGE	1124	1478	1863	3349	3.7	0.9

Best Peps

	1 year (£)	3	5	10	Volatility	Yield
INVESCO European Growth	1540	2710	3908	[illegible]	[illegible]	[illegible]
NatWest UK Smaller Cos	1263	2672	[illegible]	[illegible]	[illegible]	[illegible]
INVESCO European Small Cos	1500	2632	[illegible]	[illegible]	[illegible]	[illegible]
Threadneedle Euro Sel Gt Acc R	1447	2602	[illegible]	[illegible]	[illegible]	[illegible]
Johnson Fry Slater Growth	1207	2571	[illegible]	[illegible]	[illegible]	[illegible]
AVERAGE PEP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Property

	1 year (£)	3	5	10	Volatility	Yield
Aberdeen Prolific Property Shr	1190	1729	2088	-	2.8	0.9
Norwich Property	1102	1300	1434	-	1.8	4.6
Always Residential Property	1070	1226	-	-	8.8	5.5
Barclays Property	1022	1193	1415	-	9.8	6.8
SECTOR AVERAGE	1096	1362	1715	-	1.4	4.2

Nth America

	1 year (£)	3	5	10	Volatility	Yield
GA North America Growth	1258	2526	3658	8968	4.4	-
Dresdner RCM America Sm Co	1333	2319	2534	4618	4.8	-
Henderson American Small Cos	1355	2226	2804	7084	5.3	-
Royal & SunAll Nth America	1358	2208	3128	7042	4.8	0.5
Hill Samuel US Smaller Co's	1248	2195	3180	8913	5.3	-
SECTOR AVERAGE	1252	1860	2230	5207	4.4	0.6

Commodity & Energy

	1 year (£)	3	5	10	Volatility	Yield
M&G Australasian Acc	921	1245	1543	2297	5.2	1.9
Save & Prosper Commodity	798	922	1083	2022	5.6	-
M&G Commodity	635	858	1154	1727	5.5	1.4
Hill Samuel Natural Resources	747	848	1604	1576	8.3	0.9
TSB Natural Resources	728	829	1089	2498	8.1	0.1
SECTOR AVERAGE	677	806	1039	1847	6.9	0.8

Investment Trust Units

	1 year (£)	3	5	10	Volatility	Yield
Quilter Investment Trusts Inc	1179	1675	2288	-	3.5	0.3
Quilter High Inc Inv Tst Acc	1243	1870	2272	-	2.7	2.9
Singer & Friedlander Inv Ts Pf	1190	1556	-	-	2.7	1.8
Exeter Fund of Investment Tsts	1185	1542	2151	3898	2.8	0.7
Equitable Trust of Invest Tsts	1136	1501	1966	3778	2.7	1.5
SECTOR AVERAGE	1188	1485	1862	3378	2.9	1.7

Fund of Funds

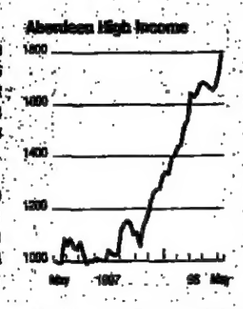
	1 year (£)	3	5	10	Volatility	Yield
Royal & SunAll Portfolio	1141	1633	1862	3132	3.0	0.9
TSB Selector	1192	1623	1871	-	2.8	1.3
Lloyds Bank Growth Portfolio	1175	1605	1881	-	2.8	0.3
INVESCO Managed Acc	1149	1604	1881	-	3.0	0.9
Fidelity Moneybuilder Plus	1177	1602	1904	3493	2.9	0.8
SECTOR AVERAGE	1123	1424	1686	2871	2.8	1.7

INVESTMENT TRUSTS

WINNERS AND LOSERS

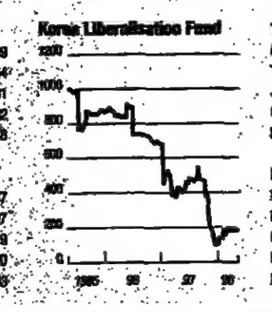
TOP FIVE OVER 1 YEAR	
Aberdeen Preferred Income	2,498
Foreign & Col Enterprise	1,945
Aberdeen High Income	1,891
Gartmore Irish Smaller Cos	1,694
Perpetual European	1,674

BOTTOM FIVE OVER 1 YEAR	
Edinburgh Java	230
Govett Asian Smaller Cos	361
Aberdeen Emerging Asia	368
East German	391
Pacific Assets	421



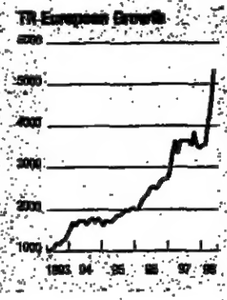
TOP FIVE OVER 3 YEARS	
Foreign & Col Enterprise	3,989
Jupiter Primadona	3,264
TR European Growth	2,981
Baring Emerging Europe	2,542
Candover	2,478

BOTTOM FIVE OVER 3 YEARS	
Korea Liberalisation Fund	107
Edinburgh Java	207
East German	219
Invesco Korea	270
Schroder Korea Fund	293



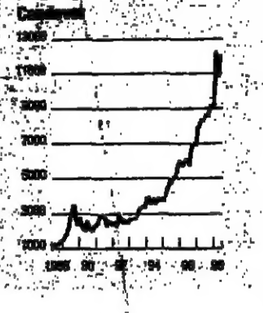
TOP FIVE OVER 5 YEARS	
Foreign & Col Enterprise	6,156
TR European Growth	5,314
Jupiter Primadona	4,979
Candover	4,362
Invesco English & Intl	3,546

BOTTOM FIVE OVER 5 YEARS	
East German	139
Edinburgh Java	207
Korea Liberalisation Fund	225
Invesco Korea	337
Baillie Gifford Shin Nippon	417



TOP FIVE OVER 10 YEARS	
Candover	12,089
Foreign & Col Enterprise	11,007
Jupiter Primadona	8,195
Second Market	7,635
Fleming American	6,591

BOTTOM FIVE OVER 10 YEARS	
Korea-Europe Fund	521
Baillie Gifford Shin Nippon	669
Invesco Enterprise	743
Trust of Property Shares	786
Baillie Gifford Japan	819



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance. For investment trust prices see main paper.

UK General

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Fleming Claverhouse	1424	2236	2776	-3	4.1	1.8
Mercury Keystone	1418	2068	3123	-5	3.9	2.3
Govett Strategic	1388	2048	2238	12	3.9	2.1
Investors Capital Growth	1388	2000	-	21	4.0	-
Edinburgh UK Tracker	1381	1947	2419	-1	3.9	2.7
SECTOR AVERAGE	1358	1819	2398	-	3.6	3.0

UK Capital Growth

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Ivory & Sime ISIS	1288	2011	-	16	4.3	-
Schroder UK Growth	1280	1887	-	-1	3.8	2.6
Fidelity Special Values	1233	1767	-	9	3.7	1.1
Legal & General Recovery	1358	1753	-	13	3.3	2.2
Fleming Enterprise	1471	1734	2386	9	4.8	2.0
SECTOR AVERAGE	1202	1680	1928	-	3.6	1.8

Smaller Companies

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Gartmore Smaller Companies	1354	2187	3325	1	4.6	1.7
INVESCO English & Intl	1169	2043	3546	7	4.2	0.8
Kleinwort Smaller Companies	1287	1937	2167	16	5.0	1.5
NatWest Smaller Companies	1150	1852	2389	7	5.4	2.2
Perpetual UK Smaller Cos	1285	1821	2749	7	4.4	2.3
SECTOR AVERAGE	1189	1536	2082	-	4.1	2.6

UK Income Growth

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
City of London	1410	1945	2438	-2	3.3	3.1
Temple Bar	1430	1817	2329	9	4.1	4.2
Gartmore Brit Inc & Gth(Units)	1330	1803	-	5	2.2	3.4
Merchants	1480	1799	2223	6	4.0	4.3
Investors Capital Units	1290	1779	1985	12	4.3	3.7
SECTOR AVERAGE	1357	1677	2129	-	3.5	4.5

Venture and Devt Cap

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Foreign & Col Enterprise	1946	3989	6156	-13	4.8	1.8
Candover	1423	2478	4362	-25	6.5	2.9
Mercury-Grosvenor	1198	2322	2482	17	4.2	2.7
Thompson Clive	1425	2164	3196	19	5.6	1.1
Electra	1413	2138	3349	15	3.2	1.9
SECTOR AVERAGE	1157	1787	2756	-	4.2	2.9

Int Income Growth

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
British Assets Ordinary	1330	1791	1770	11	3.7	4.5
Securities Trust of Scotland	1211	1662	1935	12	3.5	3.7
Murray International	1143	1611	2022	11	3.4	3.7
SECTOR AVERAGE	1278	1686	1909	-	3.5	4.0

Int Cap Gth

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Jupiter Primadona	1853	3264	4979	-15	4.8	1.0
British Assets Growth	1439	2104	-	20	3.9	-
RIT Capital Partners	1462	2056	2877	15	4.0	0.7
Henderson Electric and General	1310	1818	2426	6	3.7	1.4
Finsbury Worldwide Pharmacy	820	1709	-	9	-	0.2
SECTOR AVERAGE	1218	1636	2210	-	3.9	1.7

International General

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Personal Assets	1409	2371	2894	-	2.4	1.5
Baring Tribune	1408	1936	2396	8	3.8	1.7
Majedie	1377	1921	2336	8	2.7	2.4
Scottish Mortgage	1310	1776	2279	11	3.2	1.8
Scottish Investment	1278	1760	2177	13	3.1	2.1
SECTOR AVERAGE	1297	1735	2203	-	3.3	2.2

North America

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Fleming American	1423	2226	2542	8	4.4	0.4
Edinburgh US Track 25p	1388	2059	2440	6	4.5	1.0
North Atlantic Smaller Cos	1361	1955	3028	8	4.3	-
US Smaller Companies	1378	1791	2126	9	4.9	-
American Opportunity	1141	1698	2238	11	6.6	-
SECTOR AVERAGE	1288	1837	2277	-	5.2	0.9

FE inc Japan

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Martin Currie Pacific	722	791	874	19	6.8	2.2
Henderson Far East Income	648	742	956	13	7.8	8.0
Foreign & Col Pacific	658	706	870	21	6.8	2.1
Govett Oriental	541	505	688	16	6.6	0.9
SECTOR AVERAGE	608	686	847	-	6.7	3.1

Far East exc Japan, General

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Pacific Horizon	548	653	743	20	7.3	1.5
Hambros Smaller Asian	436	644	-	21	8.8	0.7
Scottish Oriental Small Cos	589	518	-	28	5.6	1.5
Aberdeen New Dawn	519	498	692	24	6.4	1.8
Edinburgh Dragon	613	481	726	19	5.9	-
SECTOR AVERAGE	488	479	622	-	7.8	1.2

Far East exc Japan, Single Country

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
New Zealand	680	618	1167	15	5.0	3.5
Aberdeen New Thai	494	357	480	4	8.5	3.6
Korea-Europe Fund	538	336	426	3	24.5	0.8
Siam Selective Growth	543	303	488	23	9.7	-
Schroder Korea Fund	454	293	-	-	13.9	-
SECTOR AVERAGE	500	320	466	-	12.7	2.1

Japan

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Baillie Gifford Japan	744	859	829	14	6.8	-
GT Japan	667	658	672	17	6.6	0.3
Edinburgh Japan	691	638	848	16	6.6	-
Schroder Japan Growth	780	624	-	12	7.2	-
Fleming Japanese	666	593	842	16	6.8	-
SECTOR AVERAGE	640	522	602	-	7.7	0.3

Continental Europe

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
TR European Growth	1468	2981	5314	-3	4.8	0.5
Charter European	1482	2432	3292	8	4.7	1.6
Henderson EuroTrust (Units)	1576	2367	2539	5	5.2	0.9
Fidelity European Values	1483	2309	3385	-2	3.8	0.2
Gartmore European	1534	2299	3384	-6	4.8	0.6
SECTOR AVERAGE	1455	2221	3092	-	4.4	0.9

Europe - Single Country

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Foreign & Col German	1520	1894	2549	5	5.2	0.3
German Smaller Companies	1298	1852	2865	13	5.4	1.0
Second Market	1285	1417	2167	13	5.5	0.4
SECTOR AVERAGE	1442	1655	2280	-	5.4	0.5

Emerging Markets

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Baring Emerging Europe	1210	2542	-	18	10.3	-
Scudder Latin America	1002	1498	-	12	8.0	0.6
First Russian Frontiers	718	1496	-	28	18.1	-
Central European Growth Fund	684	1488	-	21	9.3	-
Templeton Latin America	976	1381	-	16	7.8	0.5
SECTOR AVERAGE	888	1158	1204	-	7.8	0.7

Closed End Funds

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Exeter Preferred Capital	1599	2118	2521	23	5.2	0.3
Capital Gearing	1202	1718	2173	7	2.4	0.1
Invesco City & Commercial	1388	1631	2175	17	4.6	4.1
Investment Tr of Inv Trusts	1220	1415	-	18	3.3	-
London & St Lawrence	1322	1333	1925	17	2.8	3.8
SECTOR AVERAGE	1309	1586	2138	-	3.7	2.1

Property

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Wigmore Property	1241	1938	-	16	5.2	1.0
TR Property	1199	1856	2638	9	4.8	2.7
French Property	1369	1410	1768	17	4.6	1.9
Trust of Property Shares	1032	1245	1256	22	5.7	3.3
SECTOR AVERAGE	1206	1612	1867	-	5.1	2.2

High Income

	1 year (£)	3	5	Disc/Prem(-)	Volatility	Yield
Dartmoor	1547	2199	3214	-14	4.4

Authorised Investment Funds

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Unit Trusts and OEICs

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Stock	Bid	Offer	Day's Price	+ or -	Yield Bid%
ANI AMRO Fund Managers Ltd (0800)F					
AIB Govett Unit Trusts Limited (1000)F					
Abbey National Unit Trust Managers Ltd (1200)F					
Abbey Unit Trst Mngrs (1000)F					
Aberdeen Profile Unit Trust Mngrs Ltd - Contd.					
Alliance & Leicester NT Mngrs Ltd (1200)F					
Baring Fund Managers Ltd - Contd.					
Bishopsgate Friendly UT Mngrs Ltd (0000)F					
Bulldog Gifford & Co Ltd (1400)N					
Bank of Ireland Fund Mngrs Ltd (1400)F					
Barclays Funds Limited (1000)F					
Abbey National Unit Trust Managers Ltd (1200)F					
Aberdeen Profile Unit Trust Mngrs Ltd (1200)F					
City of London Unit Trst Mngrs Ltd (1000)F					
Clerical Medical Unit Tst Mngrs Ltd (1200)F					
Commercial Union Trust Mngrs Ltd (1200)F					
Cornhill Unit Trust Managers Ltd (1000)F					
Cazenove Unit Trust Managers Ltd (1000)F					
Cheyne Fund Managers Ltd (1000)F					
Dublin Unit Trst Mngrs Ltd (1200)F					
Dunbar Fund Managers Ltd (1000)F					
Dresdner RCM Funds (UK) Ltd (1200)F					
Fleming Unit Trust Management Ltd (0000)F					
Friends Provident Unit Trusts (1000)F					
Gartmore Fund Managers - Contd.					
Global Asset Management (1200)F					
Fidelity Investment Serve Ltd (1200)F					
Fleming Private Fund Mngt Ltd (1200)F					
Friendlies Unit Mngt Ltd (1200)F					
Guardian Unit Managers Ltd (1000)F					
Guinness Flight Unit Tst Mngrs Ltd (1200)F					
Gartmore Unit Trust Mngrs Ltd (1000)F					
Gartmore Unit Trust Mngrs Ltd (1400)F					
Hambros Unit Trust Managers Ltd (1000)F					
Hill Samuel Unit Trst Mngrs (1200)F					
Hill Samuel Unit Trst Mngrs Ltd (1400)F					
Hill Samuel Unit Trst Mngrs Ltd (1000)F					
**Hill Samuel Unit Trst Mngrs Ltd

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Eurolife Assurance Company Ltd

Friends Provident

Norwich Union Life & Pensions Ltd

Old Mutual Life Assurance Co Ltd

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Scottish Equitable plc

Scottish Life Assurance Company

Scottish Mutual Assurance plc

Standard Life Assurance Company

Sun Life Assurance Society Ltd

Sun Alliance Group

Tunbridge Wells Equitable

United Assurance Group

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

IPS Capital Management PLC

Johnson Fry Asset Managers PLC

Macartney & Donie Invest Mngt Plc

Charles Stanley & Co Ltd

J. D. Ward Financial Services Ltd

Singer & Friedlander Portfolio Mngt Ltd

Money Market Trust Funds

CalCash Ltd

The COIF Charities Deposit Fund

Gent. Bd. of Fin. of Church of England

Money Market Bank Accounts

American Express Bank Ltd

Bank of Scotland

Bank of Scotland plc

Brown Shipley & Co Ltd

Clerkenwell Bank Limited

Clydesdale Bank Current Gold Acc

The Co-operative Bank

Coutts & Co

Fidelity Money Market Account

Halifax Plc Reserve Cheque Acc

Lloyds TSB Bank plc

Nationwide Bldg Soc – Businessinvestor

Royal Bank of Scotland plc

Royal Bank of Scotland plc Private Clients Acc

Save & Prosper/Nabarr Planning

Schroder & Co Ltd/Special Account

United Dominions Trust Ltd

United Trust Bank Ltd

● NOTES

Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax.

Net: Rate of interest payable after allowing for deduction of basic rate income tax.

Gross CAR: Gross rate annualised to take account of compounding of interest paid more than once a year. 'Compounded Annual Rate'

Int Cr: Frequency at which interest is credited to the account.

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

Butterfield Management Co Ltd

Prendergast Investment Mgmt (Bermuda) Ltd

Integral Bond Arbitrage Fund Limited

Integral Management International Ltd

McKinley Offshore Management Ltd

N.C.L. Investments Limited

Orbis Investment Management Ltd

Palio Smith & Co

Sentinel Investment Funds

GUERNSEY (FSA RECOGNISED)

Dresdner RCM Global Investors (Guernsey) Ltd

Dresdner Flight Fd Mngrs (Guernsey) Ltd (24/05)

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Royal Bank of Canada Strategic Bond Fund

Royal Bk of Canada O/S Fd Mngrs Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

AMZ Mngmt Co (Guernsey) Ltd

Absolute Alpha Inv Mgmt (Guernsey) Ltd

Apollo Investment Management Ltd

Barclays Global Investors Guernsey Ltd

Butterfield Fund Managers (Guernsey) Ltd

CA IB Asset Management (CSG) Ltd

CISC Fund Managers (Guernsey) Ltd

Clarden Investment Mgt (Guernsey) Limited

Credit Suisse Asset Mngt (Guernsey) Ltd

Dresdner RCM Global Investors (Guernsey) Ltd

Dresdner Kleinwort Benson Int Mgt Services Ltd

Global Portfolio Management (Guernsey) Ltd

Lehman Global Funds

Long-Invest Capital Ltd

Merrill Lynch Guernsey

Mikko Capital Mngt (Europe) Ltd

Paragon Asset Management Ltd

Port Fund Managers/Select Global Strategies

Private Fund Managers (Guernsey) Limited

River & Mercantile International Limited

Rothschild Asset Mngmt (CI) Ltd

Royal Bank of Canada Strategic Bond Fund

Sanlit International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Skelton Fund Managers (Guernsey) Ltd

Stanford Associates (Guernsey) Ltd

Tudor Investment Management (Guernsey) Ltd

UBS Asset Management (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

VTI (Guernsey) Limited

Yasnickal Capital Mngt (Guernsey) Ltd

IRELAND (FSA RECOGNISED)

AIB Fund Management Ltd

Aberdeen Profile International Fund Plc

IRELAND (REGULATED)(**)

AIB AIBIM Global Liquidity Funds Plc (e)

AIB Fund Management Ltd

AIB Asset Management Ltd

AIB Capital Funds Plc (c)

AIB Global Management Company Limited

AIB International Funds Plc

Abbey National Dublin Investment Fund Plc

Abbey National Dublin Investment Fd II Plc

Aeneidean Capital Wolves Plc

Argonite European Hedge Fund plc

Asia Dynamic Growth Fund Plc

Asia Small Cos Growth Fund (e)

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Asian Growth Fund Plc

Asset Navigation Fund

Asset Universal Ltd

Atlantic Korea Smaller Companies Fund

BAC-EX Management SA

The Bolsa Emerging Markets Fund Plc

Global Asset Management

Global Fund Management Ltd (e)

Hyde Select Fund Plc

The Global Mutual Investment Company Plc

Standeven Crosthwaite Investment Co

Lazard Investment Funds Ltd

Lloyds Bank International Fd Mngrs (Ireland) Ltd

Frank Russell Investments - Contd.

Fresh Korea Fund

Fuji Investment Management Co (Europe) Ltd

Global Fund Management (Ireland) Ltd

Global Asset Management

GT Global

Gartmore Korea Fund Plc

Global Emp-Asia Investment

Global Resources Stock Fund

Goldman Sachs

Gill Lloyd Reserve Ltd

Gordon Berg Asset Management Ltd

HSBC Asset Management

HSBC Asset Management (Ireland) Ltd

ING Diversified Equity Fund II Plc

Bank of Ireland Unit Managers Ltd

Bank of Ireland Asset Management (Ireland) Ltd

Irish Life International Global Funds Plc

John Hancock Funds Plc

Korea Venture Fund

Lazard International Fund Plc (e)

Legal & General (Pfizer Mgmt Services) Ltd

Lehman Bros. AELB Purchase Asset Mgmt Ltd (e)

Lazard Select Funds

Legal & General (Ireland) Ltd

Lehman Bros. International Funds Plc

Lehman Fund Plc

Merrill Asset Management (Ireland) Ltd (e)

Morgan Grenfell Cash & Money Market Plc

Morgan Grenfell Fixed Income Funds Plc

Morgan Grenfell Profunds Plc

The Northern Trust Global Cash Funds Plc

Old Mutual Fund Managers (Ireland) Limited

Orange Trust Umbrella Fund Plc

Oppenheimer Millennium Funds Plc

Pacific 21st Century Fund

Pacific Walker Offshore Funds Plc (e) (c)

Parlour Asset Management (Ireland) Ltd

Parlour Multi-Manager Global Fund Plc

Pierce Advisors (Ireland) Ltd

Pioneer Management (Ireland) Ltd

Prudential Securities Futures Mgmt Inc

Rothschild Asset Management (Ireland) Ltd

J. Rothschild International Assets plc

SEI Trusted Endowment Fund Plc

SEI Global Master Fund - Institutional Class

SEI Global Master Fund - Investor Class

The Sagitta Fund Plc

Scottish Amicable European/International

Scottish Widows Fund Mngmt Ltd

Sentinel Investment Mngt (Ireland) Ltd

Singer & Friedlander Closed Funds Plc

Stanlib Select Fund Plc

Stanlib Generale Group

Super Phoenix Fund

Super Phoenix Fund II

Tribeca Worldwide & Company Inc

Tokio Marine Investment Services

Tokio Marine Fund Mngt Ltd

Tokio Marine Fund Plc

The Wanger Investment Company PLC

Warburg Pincus Funds Ltd

Yasnickal Samsung Synergie Inter Fund

Yield Korea Fund

Yield Taiwan Fund

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Ashburton Global Funds Ltd

Bank of Ireland Asset Mngmt (IoM) Ltd

CAM Fund Managers (IoM)

Cedar Intl Fund Managers (IoM) Ltd

Cedar Life Management (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Old Mutual Intl FM Managers (Isle of Man) Ltd

Sanlam Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

Tilney Fund Managers (IoM) Ltd

Walker Bank Global Funds Plc

ISLE OF MAN (REGULATED)(**)

BGC International Asset Management (IoM) Ltd

Bank of Ireland Asset Mngmt (IoM) Ltd

Bank of Ireland Global Funds Limited

Cedar Allen Investment Management (IoM)

Cazenove International Asset Mngt Ltd (CIAM)

Citibank (C) Ltd "Citibank"

Citibank N.A.

Cleveland Intl Fund Managers (IoM) Ltd

Cedar Life Management (IoM) Ltd

Dresdner RCM Global Investors (IoM) Ltd

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Mercury Fund Managers (IoM) Ltd

Mercury Intl Funds

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Mercury Intl Investment Funds (Jersey)

Mercury Intl Investment Funds (Lux)

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Mercury Intl Investment Funds (Guernsey)

Mercury Intl Investment Funds (Isle of Man)

Mercury Intl Investment Funds (Switzerland)

Mercury Intl Investment Funds (Austria)

Mercury Intl Investment Funds (Germany)

Mercury Intl Investment Funds (Spain)

Mercury Intl Investment Funds (Portugal)

Mercury Intl Investment Funds (Italy)

Mercury Intl Investment Funds (Netherlands)

Mercury Intl Investment Funds (Belgium)

Mercury Intl Investment Funds (Luxembourg)

Mercury Intl Investment Funds (Finland)

Mercury Intl Investment Funds (Sweden)

Mercury Intl Investment Funds (Norway)

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Mercury Intl Investment Funds (Iceland)

Mercury Intl Investment Funds (Greece)

Mercury Intl Investment Funds (Turkey)

Mercury Intl Investment Funds (Israel)

Mercury Intl Investment Funds (Cyprus)

Mercury Intl Investment Funds (Malta)

Mercury Intl Investment Funds (Hong Kong)

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Bank Von Ernst & Cie AG

Barclays Diversified Portfolio (c)

Barclays Inv Funds (Luxembourg)

Capital International

Chase Manhattan Vista Funds

Compagnie SA

Commercial Union Luxembourg SA (m)

Credit Agricole Indosuez

Dresdner Fund (b)

Dresdner Bank

Dresdner RCM Global Investors (UK) Ltd

Dresdner RCM Select Fund (m)

Dreyfus Fund (b)

Dreyfus Global Bond Fund (c)

Dreyfus Global Equity Fund (c)

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Dreyfus Global Income Fund (c)

Dreyfus Global Opportunity Fund (c)

Dreyfus Global Value

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(It seems British industry really knows where it's going.)

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● MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

Late rally carries 250 index to new high

MARKETS REPORT

By Philip Coggan, Markets Editor

The UK stock market ended the week on a losing note yesterday, with the FTSE 100 index dropping back below the 5,900 level for much of the day.

A number of factors weighed on the market during the week: nervousness ahead of the US Federal Reserve's open market committee meeting on Tuesday; some stronger-than-expected UK average earnings figures; and Asian worries in the wake of the Indonesian riots and the nuclear tests in India.

The market produced a piece of home-grown bad news yesterday – the Office of Fair Trading announcement of an investigation into Northern Rock. The watchdog is probing complaints by customers about the recent restructuring of Northern Rock accounts.

The bank's shares fell more than 8 per cent on the report – and with the OFT issuing a general warning to all banks on the issue, the sector took a hit. Four of the nine worst performing Footsie stocks were banks.

On a smaller scale, the latest in the recent series of profit warnings – from Allied Carpets and Stoves Group – caused sharp markdowns in the companies' share prices.

Footsie opened with a modest gain, despite the latest turmoil in Indonesia and Thursday's fall on Wall Street. But the market quickly drifted lower in the absence of any domestic impetus.

The expiry of index options at 10.10am caused a flurry of activity and sent Footsie to a deficit of nearly 60 points, its morning low. However, with trading volume subdued, the index clambered back and regained the 5,900 level.

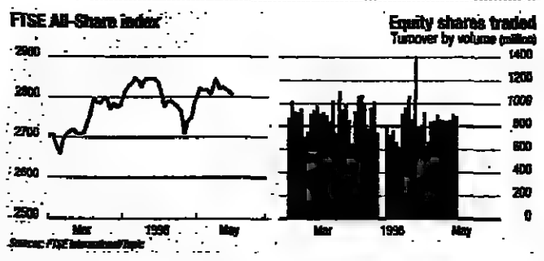
Wall Street opened in fairly subdued mood, but even a modest fall in the Dow Jones Industrial Average was enough to induce a wave of red on London's trading screens. Footsie fell to its low for the day of 5,866.5, down 82 points, just before 3pm. But a late rally allowed the blue chip index to rebound above 5,900 to close at 5,917.8, down 30.7.

For much of the day, the medium and smaller company stocks failed to escape the selling pressure. But a Houdini-style recovery in the last few minutes allowed the FTSE 250 to close up 2.2 at 5,797.8, yet another all-time high. The SmallCap, which was never ahead during the session, closed unchanged at 2,749.2

Gilts provided little comfort for the equity market, as investors continued to worry about the inflationary implications of Wednesday's average earnings numbers. The 10-year issue closed around a half a point lower.

However, Ian Williams, UK strategist at Panmure Gordon, expects a reduction in bond yields to play an important role in the performance of the UK equity market over the rest of the year. Utilities and financials traditionally do well in such circumstances and he added that: "They also offer investors the best yield and dividend growth prospects available in a market generally starved of income."

Turnover at 6pm was 903.5m shares, of which only 48.3 per cent was in non-Footsie stocks.



Indices and ratios		
FTSE 250	5797.8	+2.2
FTSE 350	2873.0	–11.8
FTSE All-Share	2808.43	–10.78
FTSE All-Share yield	2.79	2.78
FT 30	3894.6	–7.9
FTSE Non-Fins p/e	23.57	23.56
FTSE 100 Fut Jun	5922.0	–25.0
10 yr Gilt yield	5.97	5.97
Long gilt/equity yld ratio	2.02	2.15

FTSE 100 Index	
Closing index May 15	5917.8
Change over week	–52.0
May 14	5948.5
May 13	5972.9
May 12	5956.7
May 11	6028.3
High*	6030.9
Low*	5866.5

*Intra-day high and low for week

TRADING VOLUME IN MAJOR STOCKS

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
SI	527	692	+5	LucasVarity	2,000	271½	+1½
AMERCAP	236	668½	+14½	Marks & Spencer	5,600	571	+7½
ASDA Group	15,888	163¾	–4½	Misys†	183	312½	+4½
Abbey National	3,200	1047	–34	NatWest Bank	3,400	1143	–23
Alliance & Leicester	1,400	800	–20	National Grid	3,600	371½	–8½
Allied Domecq	3,000	424½	–1	National Power	1,600	585	+6
Assoc. Brit. Foods	597	550	+5	Next	3,600	[illegible]	–10½
BAA	2,400	680½	+10½	Northern Rock†	4,800	658	–51
BAT Inds.	7,800	572½	+13	Norwich Union	2,100	432½	–1½
BOC	911	984	+11	Nycomed Amersham	577	273p	+4p
BG	3,400	337½	+2	Nycomed Amer NV	42	200p	+3p
BP	7,900	953½	–8	Orange	1,500	449½	+9½
Bass†	3,100	443	–14½	Pearson	1,400	946	+11
BT	8,400	848	–4½	P & O	1,200	863½	+5
BTR	5,200	210½	+7½	Powergen	697	707	–8
Bank of Scotland	2,200	690	–28	Prudential Financial†	498	888	–8
Barclays	8,700	1723	–34	Prudential	2,100	788½	–5½
Boots	2,100	1094	–7	RMC†	1,200	1165	–35
Billiton	141,800	168½	–1½	Railtrack	1,500	799	–4
Blue Circle	3,900	372½	+11½	Rank Group	1,600	374½	+5
Boots	1,200	943	+13	Rechitt & Colman	556	1729	+10
Brit. Aerospace	3,400	872	+8	Reed Intl.	8,000	594½	+45½
British Airways	679	653½	–4	Rentokil Initial	4,500	283	–5
British Energy	5,500	548½	–3½	Reuters	4,500	768½	–7½
British Land	1,300	777	–8	Rio Tinto	2,300	937	–33
British Steel	6,000	170		Rolls Royce	10,900	290½	–9½
Cable & Wireless	4,600	885	+33½	Royal & Sun Alliance	2,600	642	–12
Cadbury Schweppes	4,500	607	+16	Royal Bank Scotland	1,900	307½	–16½
Carlton Comms	2,300	880	–15	Safeway	2,700	388	–8
Centrica	13,000	88	–3	Sainsbury	2,800	409½	–9½
Comm. Union	4,600	1046	–7	Schroders	109	1616	–68
Compass	784	1087	+4	Schroders NV	80	1660	–1
Diageo	8,400	730	+[illegible]	Scottish & Newcastle	914	588	–8
EMI	3,800	251	–1	Scottish Power	2,300	380	–7½
Energy Group	774	844	+8	Severn Trent	980	1089½	+4½
Enterprise Oil	1,800	604	+7	Shell Transport	8,900	465½	–9½
Foreign & Col. I T	423	209½	–½	Skim	1,200	1492	+9
Gen. Accident	3,800	1319	+4	SmithKline Beecham	8,800	708	+1
General Electric	8,000	316	–6½	Smiths Inds.	674	976	+41
Glaxo Wellcome	3,300	1733	+38	Southern Electric†	897	604½	–6½
Granada	1,800	1103	+13	Standard Chartered	3,000	880	–5
GUS	1,600	985	–3	Sun Life & Provincial	181	555½	–5½
GRE	2,300	391	+3	T (Group)†	1,200	510	+12½
GKN	972	1310	–3	Tesco	4,600	540	–12½
HSBC (75p shs)	3,400	1078	+21	Thames Water	901	980	–4
HSBC (HK$10)	2,760	1880	–34	Tomkins	2,000	394½	+1½
Halifax	6,300	770½	+11½	Unilever	3,300	670	–3½
Hays	982	1085		Utd. News & Media	3,400	847	+12
ICI	4,400	1344	+13	United Utilities	1,700	814	–1
Kingfisher	927	1087	–10	Vodafone	4,200	888	–7
Ladbroke	3,300	357½	+15½	Whitbread	985	1085	–7
Land Securities	2,300	1028	+5	Willerts	2,700	430	–24
Legal & General	4,100	261½	–10½	Woolwich	2,900	432	+5
Lloyds TSB	11,600	861	–32½	Zeneca	4,700	2887½	–29½
LASMO	2,700	204½	+3½		1,100	2837	+34

Based on trading volume for our FTSE 100 constituent companies and changes yesterday until 4.30pm. † Indicates a FTSE 100 Index mover. All trades are included. Source: Extel, part of FT Information.

EQUITY FUTURES AND OPTIONS TRADING

The June FTSE 100 future opened about 32 points under fair value under the influence of fears of a fall on Wall Street sparked by the profits warning from one of the high-tech stocks, writes Martin Brice.

June opened at 5,945, 5 under cash with fair value estimated at a premium of about 30 points.

However, fair value was soon established as the cash fell and June was pushed up to the high of the day, 5,968, ahead of index options expiry. But June soon fell back, to touch a low of 5,925 near expiry. Cash fell rapidly near expiry, which was at 5,895.

Once expiry had passed, cash traded sideways and June stood at fair value for much of the afternoon, until fears of a weaker US market sent the future down rapidly. In the event Wall Street was stronger than anticipated, and June rose from about 5,890 to settle at 5,922. Volume was 18,700, and in after-hours trading the future fell to 5,898.

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5948.0	5922.0	-25.0	5968.0	5890.0	18699	158374
Sep	-	5898.5	-25.0	-	-	0	11981
Dec	-	5883.0	-25.0	-	-	0	280

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

Jun	5808.0	5800.0	-9.0	5809.0	5808.0	85	6981

FTSE 100 INDEX OPTIONS (LIFFE) (TSPS) £10 per full index point

	5700		5750		5800		5850		5900		5950		6000	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P
May	146½		96½		46½					0	56		108	
Jun	318	86	273	99½	230½	118½	189½	134	178½	154½	149½	178½	123	203½
Jul	364½	135	340	149	317½	167	295	187	273½	210½	253	233½	231	257½
Aug	408½	192½	386	210½	365½	229½	345½	249½	330	268	315½	288	278½	309
Dec†	477½	297			417	334			364½	372			308½	412½

Calls 4,330 Puts 6,976

FTSE 250 STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5700		5750		5800		5850		5900		5950		6000	
May	172		122		72		32		26		76		136	
Jun	286½	13	243½	18½	203	32½	167½	52½	135	78½	108½	108½	212	86
Jul	339½	148	320½	163	305	179	292½	197½	283	217½	268½	238½	255	263½
Sep	408½	230½			434	287			394½	339			358½	349
Dec†	544	391			501	333½			469½	399½			464	426½

Calls 7,145 Puts 9,233 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT 30 INDEX

	May 15	May 14	May 13	May 12	May 11	Yr ago	*High	*Low
FT 30	3894.6	3902.5	3898.8	3888.7	3920.3	3014.3	3948.3	3867.5
Ord. div. yield	2.80	2.80	2.80	2.81	2.79	3.03	4.22	2.79
P/E ratio net	25.31	25.31	25.29	25.23	25.41	18.27	28.41	15.80
P/E ratio nil	25.06	25.06	25.07	25.00	25.16	18.09	28.16	15.71

FT 30 data unavailable: high 3920.3 11/05/98; low 49.4 [illegible]. Base Date: 1/1/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3902.5	3900.4	3903.6	3874.5	3872.1	3873.0	3881.7	3894.0	3875.1	3904.0	3867.5

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TRADITIONAL OPTIONS

First Dealings: May 11 | Expiry: Aug 6
Last Dealings: May 22 | Settlement: Aug 13

Calls: Applied Holographics, Atlantic Computers, Britannia Grp, Cadiers, Collinson, Chemical Int, Desire Pet, Eurocopy, Full Circle, JJB Sports, Merchant Retail, Mitesco, Parandos, Phytopharm, Recognition Sys, SFI, Silver Shield, Stockbridge, Tullow Oil, Calls and Puts: Chemical Int, Parandos, Recognition Sys.

FTSE Actuaries Share Indices — The UK Series

Preliminary comparison with the Period and Sector Indices

	May 15	Day's chge%	May 14	May 13	Year ago	Gross yld%	Net yld%	Net cover	P/E ratio	52 adj. yld	Total Return	1998 High	1998 Low	Since Compilation High	Since Compilation Low
FTSE 100	5917.8	–0.5	5948.5	5972.9	4693.9	2.78	2.35	3.04	22.07	84.85	2583.60	6166.8	5866.5	6930.2	29/7/94
FTSE 250	5797.8	.....	5795.6	5788.9	4525.7	2.82	2.37	2.05	21.69	54.30	3479.84	5797.8	5515	4789.2	27/1/98
FTSE 250 ex IT	5854.9	+0.1	5850.8	5843.2	4541.6	2.86	2.44	2.11	20.51	58.02	2513.84	5854.9	5515	4822.5	27/1/98
FTSE 350	2873.0	–0.4	2884.8	2883.7	2272.1	2.79	2.35	2.04	21.89	30.59	2582.58	2923.3	2811	2923.3	6/4/98
FTSE 350 ex IT	2876.1	–0.4	2888.1	2887.1	2272.4	2.80	2.37	2.05	21.74	30.93	1315.84	2928.8	2811	2928.8	6/4/98
FTSE 350 Higher Yield	2817.4	–0.6	2834.5	2847.4	2213.7	3.76	3.20	1.94	17.09	37.04	2145.18	2873.7	2811	2873.7	11/5/98
FTSE 350 Lower Yield	2939.7	–0.3	2947.3	2953.3	2335.8	2.06	1.71	2.17	28.04	25.28	2132.92	2968.3	2811	2968.3	14/4/98
FTSE SmallCap	2749.15	.....	2748.16	2743.73	2316.79	2.78	2.23	1.81	27.59	21.89	2384.06	2749.15	2515	2749.15	14/5/98
FTSE SmallCap ex IT	2749.92	.....	2749.07	2743.51	2312.03	2.96	2.40	1.67	25.28	22.30	3409.47	2749.92	2515	2749.92	14/5/98
FTSE All-Share	2808.43	–0.4	2818.21	2827.00	2230.98	2.79	2.35	2.01	23.30	29.40	2542.04	2847.87	2744	2847.87	6/4/98
FTSE All-Share ex IT	2813.43	–0.4	2824.44	2832.50	2231.27	2.81	2.37	2.03	21.91	29.86	1310.19	2855.08	2744	2855.08	6/4/98

FTSE Actuaries Industry Sectors

	May 15	Day's chge%	May 14	May 13	Year ago	Gross yld%	Net yld%	Net cover	P/E ratio	52 adj. yld	Total Return	1998 High	1998 Low	Since Compilation High	Since Compilation Low
10 RESOURCES(22)	4982.87	–0.5	5007.48	5029.70	4319.13	3.06	2.64	1.72	23.82	74.18	2292.26	5029.70	4913.08	5029.70	19/5/98
12 Extractive Industries(6)	3277.73	–0.6	3296.02	3375.11	4389.71	4.29	3.93	2.02	14.38	78.82	1034.52	3487.98	3115	4789.29	31/12/85
15 Oil, Integrated(4)	5571.13	–0.8	5604.30	5627.11	4443.73	3.02	2.59	1.84	25.16	79.87	2635.16	5627.11	13/5/98	9/2/98	20/2/86
16 Oil Exploration & Prod(12)	3484.00	+0.7	3480.04	3390.45	3628.92	1.84	1.36	2.00	38.11	31.12	2163.94	3628.18	2/1	3115.61	21/4/98	3685.34	17/10/97	850.30	2/7/86
20 GEN INDUSTRIALS(228)	2415.99	+0.3	2408.09	2417.96	1938.59	3.07	2.68	2.21	18.42	26.66	1417.19	2438.91	11/5	1854.82	23/1	2438.91	11/5/98	885.10	14/1/88
21 Construction(38)	1572.04	+0.2	1567.98	1663.99	1380.65	2.92	2.37	2.65	16.19	17.87	1499.03	1672.04	15/5	1285.70	23/1	2126.60	19/7/87	538.90	9/9/92
22 Building Mats & Merchs(27)	2010.95	+0.6	1999.68	1984.94	1671.05	3.71	3.17	2.03	16.51	29.45	1094.85	2010.95	15/5	1592.88	27/1	2303.22	24/1/94	954.80	9/9/92
23 Chemicals(24)	3165.53	+1.3	3124.33	3122.82	2354.07	2.99	2.78	1.79	23.45	32.15	1815.53	3165.53	15/5	2429.88	26/1	3185.93	15/5/98	978.50	14/1/86
24 Diversified Industrials(10)	1503.70	–0.2	1507.01	1526.51	1382.13	3.61	3.39	2.40	14.46	20.65	824.06	1526.51	13/5	1231.31	22/1	2231.57	2/2/94	694.80	21/1/85
25 Electronic & Elect Equip(28)	2791.92	–0.7	2810.71	2861.75	2073.27	3.09	2.50	1.82	24.86	21.46	1538.46	2884.43	11/5	2884.43	22/1	2884.43	11/5/98	1000.00	29/9/86
26 Engineering(52)	3264.15	+0.3	3254.03	3283.10	2511.63	2.85	2.52	2.43	18.04	38.49	2103.91	3308.87	11/5	2488.80	23/1	3308.87	11/5/98	982.80	10/11/87
27 Engineering Vehicles(10)	4500.55	+0.1	4498.25	4532.11	2767.43	1.98	1.81	3.32	19.04	38.86	2476.33	4832.11	13/5	3240.21	22/1	4832.11	13/5/98	886.80	14/1/86
28 Mech. Eng & Machinery(28)	2470.71	+0.6	2456.88	2424.82	2208.76	4.13	3.47	2.22	13.61	28.40	1112.25	2470.71	15/5	1979.21	26/1	3142.82	11/7/85	873.30	14/1/86
30 CONSUMER GOODS(92)	5815.60	+0.2	5804.43	5822.41	4578.54	2.52	2.25	1.84	27.04	72.50	2300.61	6094.84	7/4	4976.19	2/1	6094.84	7/4/98	997.50	14/1/86
32 Alcoholic Beverages(6)	4149.63	–1.3	4202.59	4222.04	3238.61	2.81	2.78	1.87	23.76	67.92	1626.11	4227.30	6/4	3195.60	23/1	4227.30	6/4/98	997.50	14/1/86
33 Food Producers(25)	4197.18	+0.1	4193.96	4199.35	2972.31	2.57	2.19	2.01	24.26	50.07	2035.32	4199.35	13/5	3333.80	12/1	4199.35	13/5/98	949.10	14/1/86
34 Household Goods & Textiles(9)	3538.97	+0.2	3531.57	3536.71	3074.22	3.10	2.77	2.19	18.38	42.83	1490.43	3704.44	24/4	3639.67	14/1	3704.44	24/4/98	927.10	21/1/86
36 Health Care(14)	2384.58	+0.7	2368.71	2361.57	2224.89	2.14	1.93	2.39	24.51	14.69	1518.53	2432.82	3/2	2235.74	12/1	2432.82	3/2/98	972.60	21/1/86
37 Pharmaceuticals(20)	9607.63	+0.9	9518.78	9543.83	7414.16	1.92	1.69	1.70	38.40	95.15	3436.41	10088.96	3/2	8285.25	2/1	10088.96	2/2/98	983.70	19/1/86
38 Tobacco(3)	4812.82	–1.7	4898.41	4949.72	4633.96	5.33	4.71	1.75	13.37	121.61	1344.65	5365.86	9/3	4892.82	3/4	5365.86	9/3/98	992.00	9/1/86
40 SERVICES(276)	3489.32	.....	3489.56	3481.36	2711.37	2.43	1.99	1.93	28.70	20.13	1912.76	3489.56	14/5	2888.07	13/1	3489.56	14/5/98	844.90	23/1/86
41 Distribution(28)	2923.06	.....	2924.01	2929.08	2744.32	3.27	2.70	2.00	19.12	33.42	1147.22	2981.80	8/5	2383.06	28/1	3319.33	2/2/94	988.50	21/1/86
42 Leisure & Hotels(21)	4104.31	+1.2	4053.77	4016.18	3805.66	2.42	1.93	2.57	21.78	51.40	2324.42	4104.31	15/5	3333.80	27/1	4104.31	15/5/98	925.40	21/1/86
43 Media(41)	4627.73	.....	4628.72	4568.87	4361.25	2.22	1.87	2.17	25.86	45.46	1751.56	4627.73	15/5	3880.21	2/2	4627.73	15/5/98	971.90	14/1/86
44 Retailers, Food(13)	2949.96	–1.6	2998.82	3014.34	2158.97	3.02	2.41	2.12	19.65	20.47	1998.40	3165.84	1/4	2719.33	9/1	3165.84	1/4/98	917.40	21/1/86
45 Retailers, General(46)	2404.09	+0.1	2401.65	2405.79	2102.09	3.03	2.63	2.05	20.16	12.08	1453.14	2484.60	25/3	2230.82	23/1	2484.60	25/3/98	976.10	9/12/88
46 Telecommunications(10)	3871.98	+0.3	3861.41	3872.60	2819.22	2.24	1.86	1.39	40.14	4.04	1982.84	3942.71	6/5	2730.26	12/1	3942.71	6/5/98	982.50	3/10/86
47 Breweries, Pubs & Rest.(24)	4279.93	–0.1	4284.35	4304.21	3313.39	2.79	2.24	2.36	19.01	18.19	2171.69	4423.63	2/1	3884.67	14/1	4423.63	2/1/98	982.80	14/1/86
48 Support Services(52)	5008.69	–0.1	5018.20	4980.18	3061.14	1.19	1.01	2.57	40.92	25.14	2289.32	5018.20	14/5	3934.91	2/1	5018.20	14/5/98	1230.60	1/2/91
49 Transport(25)	3788.86	+0.1	3786.54	3759.78	2863.18	2.71	2.22	1.31	35.23	25.93	1689.35	3788.86	15/5	3788.67	23/1	3788.86	15/5/98	980.60	14/1/86
60 UTILITIES(23)	3794.94	–0.2	3803.41	3785.49	2837.65	4.12	3.30	1.95	16.43	14.30	1793.60	3885.79	2/4	3619.37	2/1	3885.79	2/4/98	802.50	3/10/86
62 Electricity(9)	4285.29	–0.5	4278.40	4272.82	3149.92	4.43	3.54	2.17	13.00	7.29	2460.84	4484.45	5/5	3851.86	2/1	4484.45	5/5/98	885.30	7/1/91
64 Gas Distribution(2)	2922.45	–0.3	2931.41	2932.68	1725.88	2.23	1.78	‡	‡	26.03	1889.09	2968.34	3/2	2483.40	2/1	2968.34	3/2/98	984.80	9/12/86
68 Water(12)	3259.83	.....	3259.16	3221.98	2625.22	5.24	4.19	2.20	10.84	10.26	1979.81	3581.32	25/2	3088.26	25/2	3581.32	25/2/98	924.70	1/5/90
89 NON-FINANCIALS(535)	2858.71	.....	2858.09	2859.13	2244.14	2.76	2.35	1.92	23.57	26.57	2322.84	2888.88	11/5	2488.05	12/1	2888.88	11/5/98	83.49	19/12/74
70 FINANCIALS(189)	5377.49	–1.6	5467.14	5524.13	4410.22	2.97	2.46	2.33	18.00	78.03	2498.80	6070.67	1/4	4718.06	12/1	6070.67	14/4/98	972.20	23/1/86
71 Banks, Retail(12)	7724.36	–2.3	7907.16	7904.18	6680.56	3.06	2.43	2.32	17.39	124.11	2706.80	8833.42	1/4	6888.66	12/1	8833.42	14/4/98	998.80	23/1/86
73 Insurance(17)	2480.75	–0.9	2483.85	2531.68	1834.94	3.49	3.15	2.73	13.13	36.48	2028.25	2880.97	1/4	2148.31	2/1	2880.97	9/4/98	878.80	25/8/82
74 Life Assurance(8)	6958.45	–0.6	6901.56	6988.47	5178.41	2.74	2.36	2.60	17.55	108.92	3064.53	7713.80	1/3	6888.18	2/1	7713.80	19/3/98	987.70	23/1/86
77 Other Financial(20)	5081.87	–0.3	5074.99	5060.87	3278.50	2.17	1.77	2.24	25.70	58.10	3089.66	5215.88	15/4	3728.66	12/1	5215.88	15/4/98	998.30	1/10/90
79 Property(40)	2338.31	.....	2337.59	2344.62	2003.90	2.78	2.80	1.46	30.74	11.28	1526.49	2431.85	18/3	2140.86	2/1	2431.85	18/3/98	718.40	16/9/92
80 INVESTMENT TRUSTS(115)	4048.98	–0.1	4055.68	4054.86	3391.96	1.97	1.59	1.18	53.71	23.05	1471.91	4055.68	14/5	3343.29	12/1	4055.68	14/5/98	977.20	14/1/86
89 FTSE All-Share(859)	2808.43	–0.4	2818.21	2827.00	2230.98	2.79	2.35	2.01	22.30	29.40	2542.04	2847.87	6/4	2388.32	12/1	2847.87	6/4/98	81.92	13/12/74
105 FTSE All-Share ex IT(744)	2813.43	–0.4	2824.44	2832.50	2231.27	2.81	2.37	2.03	21.91	29.86	1310.19	2855.08	6/4	2388.71	12/1	2855.08	6/4/98	2172.42	4/8/87
Information Technology	1589.30	+0.7	1578.91	1580.70	–	0.54	0.44	3.38	67.90	2.81	1593.63	1609.98	15/5	1086.80	2/1	1609.98	15/5/98	1000.00	31/12/97
FTSE Fledgling	1477.31	+0.2	1473.81	1469.29	1297.69	2.98	2.40	1.43	29.52	11.84	1632.58	1477.31	15/5	1285.77	2/1	1778.90	2/2/94	31.14	12/12/94
FTSE Fledgling ex IT	1503.63	+0.3	1499.80	1495.00	1313.02	2.37	2.85	1.59	25.54	13.22	1669.10	1503.63	15/5	1289.15	2/1	1778.90	2/2/94	28.13	12/12/94
FTSE AIM	1108.2	–0.1	1108.2	1102.9	1089.6	1.12	0.89	0.47	80.00†	3.50	1023.59	1108.2	14/5	973.8	30/1	1138.9	24/2/97	985.7	11/3/97

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	–	5947.3	5918.8	5901.5	5891.8	5890.9	5903.5	5872.1	5898.2	5953.2	5866.5
FTSE 250	–	5800.2	5799.9	5796.5	5791.8	5790.1	5793.3	5788.9	5790.7	5803.1	5787.8
FTSE 350	–	2884.8	2873.8	2866.5	2862.3	2861.7	2866.5	2854.3	2864.7	2867.0	2852.5
FTSE SmallCap	2747.98	2749.75	2748.94	2748.31	2747.83	2748.45	2748.83	2748.84	2749.01	2749.15	2747.74
FTSE All-Share	–	2818.18	2808.98	2802.44	2798.50	2798.07	2802.45	2791.27	2800.77	2821.17	2788.66

Time of FTSE 100 High: 9:39:15 Low: 14:54:30
Time of FTSE All-Share High: 9:39:00 Low: 14:57:00

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FTSE 100	31/12/83	1000.00	Electricity	31/12/90	1000.00	FTSE SmallCap ex IT	31/12/82	1363.79	Oil Exp & Prod Total Rtn	31/12/93	1047.33
FTSE 250 & ex IT	31/12/85	1412.80	Water	29/12/89	1000.00	FTSE Fledgling	30/12/94	1000.00	FTSE Fledgling Total Ret	30/12/94	1000.00
FTSE 350	31/12/85	992.94	Non-Financials	10/4/62	100.00	FTSE Fledgling ex IT	30/12/94	1000.00	FTSE Fledg ex IT Total Ret	30/12/94	1000.00
FTSE 350 ex IT	12/5/97	2247.50	FTSE All-Share	10/4/62	100.00	FTSE Aim	30/12/94	2000.00	FTSE Aim Total Return	12/5/97	1000.00
FTSE 350 Higher Yield	31/12/85	992.94	FTSE All-Share ex IT	12/5/97	2208.01	FTSE Total Return Indices	31/12/92	1000.00	FTSE 350 ex IT Total Return	12/5/97	1000.00
FTSE 350 Lower Yield	31/12/85	992.94	All Other	31/12/85	1000.00	FTSE Sectors Total Ret	31/12/93	1

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Continued

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Continued

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Continued

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

PROPERTY - Continued

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

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GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves, contained in the Trading Volumes table on the LSE page, last trade prices of or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on close-day mid-prices and/or last trades.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for these particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available Inter Bank Exchange prices.

Symbols referring to dividend stems appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on SMR Valuation Earnings/Forecasts.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 10 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm +) to the current closing share price. The NAV table measures price changes at par value, conversions converted and warrants converted if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes.
- ↑ Interim since increased or renewed
- ↓ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ▼ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Price difference/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- ‡ Price or terms of suspension
- ‡ Indicated dividend yield after pending scrip and/or rights issue
- ‡ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement
- ♣ Unregulated collective investment scheme.

a Yield based on annualised dividend	previous year's earnings	g Yield based on prospectus or other official estimates for 1997-98.
b Figures based on prospectus or other official estimates.	c Dividend yield ex-scrip or a special payment	H Yield based on prospectus or other official estimates for 1998-99.
d Accounts deferred until after rights issue.	F Yield based on prospectus or other official estimates for 1999-00.	If Dividend is paid in whole or part as a PID (Foreign Income Dividend)
e Accounts deferred until after scrip issue.	G Accounts yield after pending scrip and/or rights issue.	K Forecast earnings yield, p/e based on prospectus or other official estimates.
f Rights issue pending	H Yield based on prospectus or other official estimates for 1999.	M Pre-issue figures.
g Earnings based on preliminary figures.	J Dividend yield excludes a special payment.	Z Dividend yield to date.
h Dividend yield excludes a special payment.	K Yield based on prospectus or other official estimates for 1998.	Abbreviations:
i Indicated dividend yield, p/e ratio based on latest annual earnings.	L Estimated annualised yield, p/e based on latest interim earnings.	cm dividend;
k Forecast, or estimate annualised dividend yield, p/e based on		ex scrip issue;
		ex rights;
		ex all;
		ex capital distribution.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (May 15 / US$)

CANADA (May 15 / Can. $)

EUROPE

AUSTRIA (May 15 / Sch)

BELGIUM/LUXEMBOURG (May 15 / Fra.)

DENMARK (May 15 / Kr)

FINLAND (May 15 / Mka)

FRANCE (May 15 / Fra.)

GERMANY (May 15 / Dm)

GREECE (May 15 / Dra)

HUNGARY (May 15 / Forint)

ICELAND (May 15 / Krona)

ITALY (May 15 / Lira)

NETHERLANDS (May 15 / Fla)

NORWAY (May 15 / Krone)

POLAND (May 15 / Zlo)

PORTUGAL (May 15 / Esc)

RUSSIA (May 15 / Rbl)

SPAIN (May 15 / Peta)

SWEDEN (May 15 / Kr)

SWITZERLAND (May 15 / Fra.)

TURKEY (May 15 / Lira)

AFRICA

SOUTH AFRICA (May 15 / Rand)

PACIFIC

AUSTRALIA (May 15 / Aus$)

HONG KONG (May 15 / H.K.$)

INDIA (May 15 / Rupee)

INDONESIA (May 15 / Rupiah)

JAPAN (May 15 / Yen)

MALAYSIA (May 15 / MYR)

NEW ZEALAND (May 15 / NZ$)

PHILIPPINES (May 15 / Peso)

SINGAPORE (May 15 / S$)

SOUTH KOREA (May 15 / Won)

TAIWAN (May 15 / NT$)

THAILAND (May 15 / Baht)

INDICES

	May 15	May 14	May 13	1998 High	1998 Low
Argentina					
General(29/12/77)	(e)	22314.12	22351.71	23465.47	22/3	18937.46	2/1
Australia					
All Ordinaries(31/3/80)	2765.8	2758.4	2773.7	2881.40	18/4	2542.40	12/1
All Bldrdy(31/3/80)	6653.4	6645.0	6682.6	7153.90	23/4	6182.28	13/1
Austria							
Credit Aktien(30/12/84)	(e)	(e)	576.63	604.86	7/5	437.44	12/1
ATX Index(31/1/91)	1594.02	1605.81	1576.02	1680.08	11/5	1245.00	12/1
Belgium							
BEL20(31/1/91)	3119.63	3108.87	3111.46	3144.34	28/4	2857.78	10/1
Brazil							
Bovespa(28/12/68)	(e)	10734.0	10778.0	12288.00	18/4	9114.00	9/1
Canada							
Metals Index†—1975	(e)	3008.62	4008.32	4088.01	10/3	3442.35	12/1
Composite†—1975	(e)	7577.96	7707.46	7822.30	22/4	6538.95	12/1
Portfolio§§	(e)	3875.87	3960.30	3947.87	13/4	3234.41	12/1
Chile							
IGPA Gen(31/12/80)	(e)	4469.44	4423.03	4691.08	17/3	4045.47	27/1
Denmark							
Copenhagen(30/31/83)	735.58	738.38	748.68	778.64	2/4	688.08	12/1
Finland							
HEX General	4918.36	4944.23	4988.75	5038.04	11/5	3830.43	12/1
France							
SBF 250(31/12/90)	2583.10	2591.62	2594.11	2694.11	13/5	1823.90	12/1
CAC 40(31/12/87)	3980.23	4011.98	4018.76	4019.79	15/5	3002.94	12/1
Germany							
FAZ Aktien(31/12/58)	1729.36	1722.53	1729.80	1744.70	14/4	1334.35	12/1
Commerzbank(31/12/53)	5113.60	5080.00	5109.60	5169.70	20/4	3888.30	12/1
DAX(30/12/87)	5383.14	5361.22	5376.88	5442.80	20/4	4097.28	12/1
Greece							
Athens SE(31/12/80)	2469.84	2484.70	2484.66	2634.54	6/5	1980.33	29/1
FTSE/ASE 20 (24/8/97)	1480.11	1501.78	1480.48	1601.88	5/5	785.18	29/1
Hong Kong							
Hang Seng(31/7/64)	9538.39	9581.95	9408.28	11010.88	25/3	8020.06	12/1
India							
BSE Sens.—1979	3848.60	3867.94	3782.78	4089.80	21/4	3089.96	29/1
Indonesia							
Jakarta Comp.(10/8/82)	408.94	403.70	402.06	564.30	2/2	342.87	9/1
Ireland							
ISEQ Overall(4/1/86)	5300.23	5301.42	5358.12	5971.91	21/4	4054.26	2/1
Italy							
Banca Com Ital—1972	1509.58	1505.19	1530.05	1684.36	3/4	1092.36	2/1
MIB General(2/1/89)	1433.0	1428.0	1457.0	1688.00	7/4	1028.00	2/1
Japan							
Nikkei 225(16/5/49)	15342.86	15307.88	15343.84	17284.34	2/3	14868.44	12/1
Nikkei 300(1/10/82)	238.94	238.08	238.54	267.48	10/2	224.55	12/1

	May 15	May 14	May 13	1998 High	1998 Low
Japan					
Topix(4/1/68)	1209.60	1208.11	1208.58	1300.38	10/2	1119.61	12/1
2nd Section(4/1/68)	1294.31	1289.84	1289.25	1401.27	10/2	1170.28	14/1
Malaysia							
KLSE Comp.(4/4/86)	600.60	600.60	646.23	995.58	2/2	477.57	13/1
Mexico							
IPC(30/10/78)	(e)	4726.18	4758.60	5004.05	3/1	4401.66	23/1
Netherlands							
CBS Tot(Sep/End 83)	1368.8	1368.9	1387.0	1426.00	4/5	1040.20	12/1
CBS All Sh(End 83)	772.0	770.3	778.1	798.20	6/4	588.30	13/1
New Zealand							
Cap. 40(1/7/86)	2229.15	2236.33	2235.58	2288.88	20/3	2107.91	29/1
Norway							
Oslo SE Ind(2/1/89)	2302.34	2311.16	2319.34	2384.06	4/5	1888.61	12/1
Philippines							
Manila Compos	2128.00	2130.00	2163.67	2311.46	20/3	1858.00	1/1
Portugal							
Int. 30(4/1/93)	3972.78	3942.84	3973.17	4070.69	22/4	3513.37	2/1
Singapore							
SES All-S'pore(9/4/79)	384.10	348.34	384.08	437.38	16/3	304.88	12/1
South Africa							
JSE Gold(28/9/78)	1041.8†	1022.9	1031.2	1101.92	2/4	622.60	13/3
JSE Ind.(28/9/78)	5802.9†	5772.0	5769.7	5942.20	20/4	5215.10	12/1
South Korea							
Korea Cmpos.*(1/1/80)	392.63	392.04	396.88	924.38	2/3	391.69	12/6
Spain							
Madrid SE(30/12/85)	857.74	856.12	862.04	936.83	6/4	646.14	12/1
Sweden							
Affärsvärlden Gen(1/2/37)	1539.17	3578.6	3588.2	3765.06	15/4	1999.17	13/1
Switzerland							
SMI Index(1/7/88)	7549.4	7580.9	7582.5	7622.70	8/4	6082.10	12/1
SPI General(1/9/87)	4748.65	4765.72	4779.45	4847.22	8/4	3781.36	12/1
Taiwan							
Weighted†.*(30/6/66)	8107.90	8163.60	8208.90	9677.08	3/3	7335.54	12/1
Thailand							
Bangkok SET(30/4/75)	369.43	368.82	370.62	588.92	3/2	339.17	12/1
Turkey							
IMKB Nat 100—1986	4137.00	4228.98	4280.38	4386.77	22/4	2777.06	10/2
WORLD							
MS Capital Int(1/1/70)	1079.1*	1079.5	1081.5	1094.88	15/4	988.58	12/1
CROSS-BORDER							
FTSE E300 (25/7/92)	1222.34	1225.00	1227.52	1280.88	6/4	971.63	12/1
FTSE E100(26/6/84)	2612.32	2617.55	2621.92	2688.66	6/4	2288.40	12/1
MSCI JC Dep(31/12/69)	(e)	221.14	218.72	233.91	20/3	188.23	12/1
MS Emgs Emrg(31/12)	145.14	145.45	146.15	169.88	2/4	128.19	12/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
FTSE 100 (£25 x Index)							
Jun	5380.0	5408.0	+28.0	5440.0	5378.5	18,827	122,922
Sep	5436.0	5466.0	+30.0	5470.0	5431.0	11	17,702
DAX (DM 25 x Index)							
Jun	5353.0	5348.5	-5.5	5400.0	5348.5	1,127	12,115
Sep	5400.0	5400.0	-5.5	5450.0	5400.0	1	1,000
CAC-40 (MATIF/MONEP) (200 x Index)							
May	3996.0	3997.0	-5.5	4003.0	3991.0	915	36,216
Jun	3974.0	3976.5	-5.5	3974.0	3974.0	214	20,152
DAX							
Jun	5380.0	5408.0	+28.0	5440.0	5378.5	18,827	122,922
Sep	5436.0	5466.0	+30.0	5470.0	5431.0	11	17,702
DAX (DM 5 x Index)							
Jun	753.00	759.25	+6.75	761.50	752.00	23,493	89,179
Jun	757.00	763.75	+6.75	764.75	755.25	14,821	66,435
SOFFEX							
May	7545.0	7591.7	+42.2	7605.0	7545.0	4,858	12,145
Jun	7547.0	7481.0	-46.0	7580.0	7456.0	7,861	15,370
Nikkei 225							
Jun	15170.0	15230.0	+30.0	15370.0	15140.0	21,714	198,208

Open interest figures for previous day.

US INDICES

Dow Jones	May 14	May 13	May 12	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9172.23	9211.84	9191.77	9721.84 (13/5)	7888.42 (9/1)	9721.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	104.84	104.79†	104.65	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/1/061)
Transport	3458.61	3442.02	3395.04	3698.02 (16/4)	3194.36 (9/1)	3698.02 (16/4/98)	13.23 (8/7/32)
Utilities	279.11	280.43	282.73	291.18 (2/4)	262.86 (9/1)	291.18 (2/4/98)	15.53 (8/7/32)
Standard and Poors							
Composite‡	1117.27	1118.86	1115.78	1139.64 (22/4)	927.69 (9/1)	1139.64 (22/4/98)	4.40 (1/6/32)
Industrials‡	1209.20	1208.20	1204.35	1231.46 (22/4)	1077.40 (9/1)	1231.46 (22/4/98)	3.52 (30/6/32)
Financials‡	133.22	133.69	133.72	148.83 (14/4)	110.85 (9/1)	148.83 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	575.31	579.30	578.28	586.62 (22/4)	487.47 (9/1)	586.62 (22/4/98)	4.64 (25/4/42)
Amex Comp	741.38	749.80	743.98	753.87 (22/4)	649.41 (12/1)	753.87 (22/4/98)	524.20 (19/7/96)
NASDAQ Comp	1888.36	1888.19	1880.18	1917.81 (22/4)	1593.22 (9/1)	1917.81 (22/4/98)	54.87 (31/10/74)
Russell 2000	475.85	477.46	476.13	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.36 (7/12/93)

IN RATIOS

	May 8	May 1	Apr 24	Year ago
Dow Jones Ind. Div. Yield	1.56	1.54	1.55	1.71
	May 13	May 6	Apr 29	Year ago
S & P Ind. Div. yield	1.30	1.33	1.35	1.72
S & P Ind. P/E ratio	31.08	30.88	30.29	25.93

IN NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Hewlett Pkd	16489200	70 1/4	-11 1/4
Compaq	10792000	31 1/8	-4
IBM	8,708,700	125 3/4	+4 3/4
Pb Morris	8,674,600	39 5/8	-5/8
Cendant	6,240,000	25 1/4	+3
Bay Networks	6,075,300	27 3/8	-1
Chrysler	5,145,800	51 3/8	-1 1/4
AT&T	4,377,900	57 1/4	-1
Pepsico	4,298,700	39 1/4	+1
Pfizer	3,918,100	108 5/8	-1 1/8

IN TRADING ACTIVITY

● Volume (million)

	May 14	May 13	May 12
New York SE	576,380	602,450	604,420
Amex	24,160	27,898	26,924
NASDAQ	752,077	730,855	743,289

NYSE

Issues Traded	3,519	3,516	3,517
Rises	1,233	1,436	1,373
Falls	1,891	1,933	1,575
Unchanged	395	168	569
New Highs	60	86	69
New Lows	42	47	47

IN S&P 500	Open	High	Low	Est. vol.	Open int.
Jun	1119.10	1121.50	1122.00	114,589	335,310

	Open	Sett price	Change
Jun	15170.0	15230.0	+30.0

Open interest figures for previous day.

INDEX FUTURES — ** For May 8: Taiwan Weighted Price (e): Invest Comp Ex 374.76. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded. † Correction. * Calculated at 15.00 GMT. ‡ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest values reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. (e) Ex dividend. (xc) Ex capital distribution. (xa) Ex all. † Pribor is US $ (3) Swap changes are based on pre-close prices for May 14.

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What does entertainment, transportation, food processing and water management have in common? Rockwell Automation.
Rockwell
http://www.rockwell.com

High techs put early drag on Dow

AMERICAS

New worries about semiconductor producers put a drag on US shares at mid-session, *writes John Labate in New York.*

National Semiconductor warned late on Thursday that profits were likely to be lower than earlier expected in the coming quarter. National's shares tumbled more than 17 per cent to $16⅜ while Hewlett-Packard, which issued its own warning on Wednesday, was down $⅝ to $69⅜.

"I think there's a lot of concern now for profits in the second quarter," said Hildegard Zagorski, stock market analyst at Prudential Securities in New York.

By early afternoon the Dow Jones Industrial Average was 14.95 lower at 9,157.38 while the broader Standard & Poor's 500 was down 2.65 to 1,114.72. In afternoon trade, declining stocks narrowly led risers by a margin of 7 to 6.

Semiconductor shares were sharply lower on National's warning and after morning comments by a top Merrill Lynch analyst about overcapacity in the industry. Intel's shares were down $3⅞ to $80⅛, while Advanced Micro Devices plunged $1⅜ to $23⅛.

Weakness throughout the tech sector sent the Nasdaq composite down 9.91 to 1,855.45. Dell Computer lost $4 to $91¼.

Among the most actively traded shares, Owens-Illinois shares rose after it said it would issue new stock and debt offerings. The stock was $1⅜ higher at $43. Merck climbed $⅜ to $119 after regulators approved one of its drug products.

Bond prices inched higher after the release of industrial production figures. The benchmark long bond rose ⅛ to 102⅛, sending the yield lower to 5.969.

The Russell 2000 of small cap shares lost 1.08 to 474.47.

TORONTO was higher early in the session as bullion rose above the $300 threshold, but position-squaring in most of the market's 14 sub-indexes pared the gains subsequently and by midsession the TSE-300 composite index was just 2.74 higher at 7,690.60.

Gulf Canada Resources picked up 30 cents to C$7.05 on news that it had completed the C$590m purchase of UK North Sea's operations.

SAO PAULO edged higher in spite of the social unrest in Asia and the liquidation of two small banks. The Bovespa index rose 55 to 10,789.

The central bank was reported to have started liquidating assets of two small banks – BMD of São Paulo and Banco Brasileiro Comercial of Goias.

In spite of the market's rise, investors are also expected to be cautious due to developments over the government's privatisation plans for Telebrás and pension reform.

BUENOS AIRES gained marginal ground although trading volumes were low. The Merval index rose 2.46, or 0.4 per cent, to 666.82.

Bourse hunts bargains

SOUTH AFRICA

Bargain-hunting by local institutions sent Johannesburg higher late in the day. The overall index closed 34.8 higher at 8,054.1, financials gained 92.7 to 13,705.3, industrials were 34.0 better at 9,806.9 and golds put on 11.5 to 1,034.4.

Heavyweights were among the winners. De Beers climbed 280 cents to R119.

IBM South Africa traded 210 cents higher at R9.15 on a proposed minorities buy-out by the parent company.

Speculative trade drove hospital group Excel Medical Holdings up 30 cents to an all-time high of 107 cents.

Dollar nudges cautious Frankfurt higher

EUROPE

A stronger dollar and the day's US economic data provided some support to an otherwise cautious FRANKFURT and the Xetra Dax index closed 40.20 higher at 5,414.31.

Among the day's movers, construction group Hochtief jumped DM4 to DM84 as Hypo-Bank raised its recommendation on the group which announced an 8 per cent rise in 1997 net profits earlier in the week.

Retailer Karstadt climbed DM,33.55 to DM867.50 although dealers could not point to any news to explain the rise.

The banks were in focus as Dresdner Bank announced a 23 per cent rise in first-quarter pre-tax profit. Dresdner put on DM2.75 to DM104.05 and Deutsche Bank added DM1.25 higher to DM159, but Commerzbank was 15 pfg lower at DM70.10.

PARIS closed a cautious session weaker as concerns over events in Asia, and Wall Street's dull early performance, made investors reluctant to commit fresh funds. The CAC 40 index closed 21.75 lower at 3,990.23.

Dassault, however, put in a star performance, finishing FFr156 or 9.2 per cent higher at FFr1,858 on news that the government was to transfer its 46 per cent stake to Aerospatiale ahead of a restructuring of the European aerospace sector.

The heavily traded Elf Aquitaine hit an intra-day low of FFr866 after the company reported a 12 per cent decline in first-quarter sales, but it subsequently recovered some ground to close FFr16 lower at FFr874. Total lost FFr4 to FFr792.

Accor, a strong market recently, gave up FFr42 at FFr1,672 on profit-taking after the company reported first-quarter sales.

MOSCOW lost another 2.1 per cent, extending its its fall over the week to 16.2 per cent and since its January high for the year to almost 40 per cent.

Analysts said that the central bank's decision to raise some interest rates to defend the ruble and treasury market gave a boost to stocks in the latter part of the day and helped to offset hefty foreign sales early in the session.

The RTS index finished 5.56 lower at 258.10 after a week in which the political and economic problems in Asia have prompted investors to cut exposure to Russia, seen by some investors as a particularly risky market, and other developing markets.

ZURICH extended is pullback into a fourth straight session during a quiet session and the SMI index lost 31.2 to 7,519.4. Analysts noted that the index had strayed into positive territory until the expiry of index contracts, after which prices came under pressure.

Among the heavyweight pharmaceuticals, Roche certificates fell SFr115 to SFr15,160 and Novartis was marked SFr47 lower to SFr2,443.

Clariant tested a low of SFr1,699 on news that first-quarter sales rose just 4 per cent. But later the shares picked up to close SFr19 higher at SFr1,728 when the company said it was negotiating to spin off its textile dye business into a joint venture.

Ems-Chemie, which reported that four-month operating profit rose 7.2 per cent, dropped SFr95 to SFr8,825.

AMSTERDAM closed marginally higher on a day dominated by options-related trade. The AEX index rose 4.68 to 1,168.77.

Investors maintained their enthusiasm towards Philips, which confirmed that it was in talks over the sale of its stake in PolyGram to Seagram of Canada. The shares rose Fl 2.50 to Fl 203.70 while PolyGram gained Fl 1.30 to Fl 111.80.

Baan, the software group that has been under fire due to its aggressive accounting practices, rose Fl 3.50 to Fl 91.40 after announcing it would change its sales-financing methods.

Written and edited by Michael Morgan, Emiko Terazono and Paul Gregan

Russia
RTS index

Violence sends Seoul tumbling

ASIA PACIFIC

Concern over escalating violence, arson and looting in Indonesia sent SEOUL down 2.8 per cent, as news of the troubles far outweighed the positive impact of an announcement by the finance ministry that foreign stock holding limits are to be abolished next Friday.

South Korea
Korea Composite

The composite index lost 10.11 to 352.83 points, as losers swamped gainers 620 to 181.

Market rumours that Zenith Electronics was on the brink of delisting from the New York Stock Exchange hit LG Group shares hard, although group and company officials denied the speculation.

LG Electronics plunged Won1,850 to its limit low of Won13,850 and LG Semicon lost Won1,600 to Won12,700.

JAKARTA saw negligible trade with volume estimated at only 1 per cent of its usual level. The composite index rose 2.24 to 405.94 as only eight shares out of 240 listed issues were traded.

TOKYO edged lower as new concerns about the economy pushed long-term market rates to a record low, *writes Gillian Tett.*

The Nikkei 225 average fell 64.83 to 15,242.86, after moving between 15,213.29 and 15,412.84.

The broader-based Topix index fell 1.18 to 1,206.98 and the second-section index lost 2.53 to 1,294.31. The Nikkei 300 was down 0.14 at 238.84. Volume on the major section grew to an estimated 400m shares, slightly higher than volumes earlier this week.

Of the 1,331 first-section issues, losers topped gainers 636 to 444, while 162 ended unchanged.

Shares were partly dragged down by fresh concern about the turmoil in Indonesia. This hurt the share price of trading houses: Mitsui declined Y34 to Y765, Sumitomo Y16 to Y747, Mitsubishi Y8 to Y925 and Nissho Iwai Y16 to Y249.

THE WEEK'S CHANGES

	% Change
Karachi	-8.1
Singapore	-6.8
Jakarta	-6.7
Seoul	-5.6
Hong Kong	-5.2
Bangkok	-4.4
Bombay	-4.3
Manila	-3.7
Kuala Lumpur	-2.4
Taipei	-0.5

SYDNEY felt the reverberations from Jakarta and, while the broad market was flat, companies with exposure to Indonesia were sold off.

The All Ordinaries index edged up 6.4 to 2,765.8. Australia and New Zealand Banking Group, which last month announced exposure to Indonesia of A$909m at the end of March, fell 22 cents to A$10.85. Broken Hill Property, which said it had shut its four steel plants in Jakarta, fell 8 cents to A$13.97. Coca-Cola Amatil, the leading Coca-Cola bottler in Indonesia, closed down 8 cents at A$11.93.

KUALA LUMPUR moved ahead on short covering ahead of the weekend. The composite index rose 6.35 to 566.85 as investors bought blue chips.

Maybank rose 10 cents to M$10.20 while Tenaga, the utility group, gained 5 cents to M$6.40.

SINGAPORE, which has been one of the markets in the region worst hit by the unrest in Jakarta, gained ground on short-covering and bargain hunting. The Straits Times Industrials index rose 20.25 to 1,310.78.

Singapore Airlines rose 30 cents to S$8 ahead of its earnings announcement.

BOMBAY drifted lower as investors continued to cut their exposure after developments set off by this week's nuclear tests and the imposition of sanctions by some countries. The BSE-30 index lost 48.14 to 3,849.80.

KARACHI staged a technical correction which took the KSE-100 index up 13.81 to 1,426.16 after the cumulative 115-point loss of the previous three sesions.

FTSE Actuaries Share Indices — European series

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May 15

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj yld	Total mkt (Eos)
FTSE Eurotop 300	1222.34	[illegible]	−2.69	1.95	11.25	1243.56
FTSE Eurotop 100	2812.32	−0.19	−5.23	2.01	9.00	996.63
FTSE Euro 100	1016.79	−0.01	−0.06	1.91	3.55	1020.39
FTSE Eurotop 300 Regions						
Eurobloc	1258.06	−0.02	−0.25	1.59	7.00	1280.30
UK	1138.70	−0.47	−5.37	2.81	17.40	1175.47
Europe Ex-Eurobloc	1188.99	−0.41	−4.80	2.31	14.23	1214.00
Europe Ex-UK	1270.84	−0.09	−1.12	1.92	7.75	1281.94
FTSE Eurotop Industry Sectors						
RESOURCES	1058.20	−0.41	−4.31	2.83	13.06	1085.03
Extractive Industries	949.05	−0.53	−5.08	2.73	0.00	949.05
Oil, Integrated	1013.22	−0.44	−4.45	2.83	8.09	1019.51
Oil, Exploration & Prod	1089.09	+1.29	+13.91	2.23	0.00	1089.09
GENERAL INDUSTRIES	1212.09	+0.02	+0.21	1.77	9.89	1225.82
Construction	1035.37	+0.85	+8.77	2.93	0.60	1035.37
Building Mats & Merchs	1039.47	−0.29	−3.06	2.59	0.00	1039.47
Chemicals	1026.45	+0.51	+5.29	2.10	7.89	1034.62
Diversified Industrials	1010.25	−0.45	−4.61	1.86	4.24	1014.59
Electronic & Elect Equip	1052.38	−0.52	−5.49	1.57	0.00	1052.38
Engineering	1028.34	+1.02	+10.34	2.15	0.37	1028.71
Paper, Pckg & Printing	1039.31	+0.43	+4.45	2.27	0.00	1039.31
CONSUMER GOODS	1153.26	−0.23	−2.71	1.92	8.80	1175.75
Automobiles	1053.18	−0.15	−1.60	0.85	1.98	1055.14
Alcoholic Beverages	995.82	−0.96	−9.61	2.32	1.86	997.71
Food Producers	1005.08	−0.13	−1.29	1.81	2.05	1007.13
Household Goods & Texts	1040.87	+0.10	+1.09	1.18	0.72	1041.61
Healthcare	1011.19	+1.28	+12.86	2.27	0.00	1011.19
Pharmaceuticals	990.74	+0.10	−1.01	1.36	1.03	991.77
Tobacco	984.11	−1.63	−16.30	4.32	9.00	984.11
SERVICES	1180.40	−0.18	−2.10	1.98	7.82	1177.41
Distribution	994.49	−0.49	−4.93	0.99	2.70	997.18
Leisure & Hotels	1018.25	+0.58	+5.82	2.38	0.00	1018.25
Media	1032.31	+0.06	+0.61	2.23	0.00	1032.31
Retailers, Food	973.70	−1.55	−15.29	2.06	1.34	975.04
Retailers, General	1005.45	+0.03	+0.30	2.23	0.00	1005.45
Telecommunications	999.23	−0.06	−0.46	1.71	0.00	999.23
Businesses, Pubs & Rests	981.59	−0.33	−3.18	2.80	0.00	981.59
Support Services	980.93	−0.56	−5.54	1.32	3.20	984.13
Transport	1014.54	−0.11	−1.10	2.37	0.39	1015.14
Information Technology	998.82	+0.73	+7.27	0.41	2.23	1001.20
UTILITIES	1292.58	+0.34	+4.28	3.38	23.71	1321.86
Electricity	974.80	+0.55	+5.38	3.62	0.00	974.80
Gas Distribution	990.71	−0.33	−3.26	1.86	83.72	1000.84
Water	965.41	+0.21	+2.02	5.23	0.00	965.41
FINANCIALS	1341.42	−0.39	−5.32	1.87	13.80	1365.14
Banks, Retail	882.05	−0.82	−8.13	2.12	2.87	886.88
Insurance	974.08	+0.01	+0.10	1.30	3.23	977.24
Life Insurance	970.54	+0.47	+4.57	1.84	3.19	973.76
Other Financial	1007.20	−1.78	−18.01	1.94	0.00	1007.20
Investment Companies	1024.21	+0.15	+1.49	2.15	0.00	1024.21
Property	944.07	−0.06	−0.73	2.81	0.00	944.07

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LONDON STOCK EXCHANGE - DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.
The data is delivered by Extel, part of Financial Times Information.
Details relate to those securities not included in the FT Share Information Services. The prices are those at which the business was done in the 24 hours up to 5.15pm on Thursday, they are not in order of execution but in ascending order which denotes the day's highest and lowest trades. For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date. The size of individual deals are rounded to the nearest thousand and represented within parentheses, where available. # Bargains at special prices. * Bargains done the previous day.

UK Treasury Strips

UK Treasury Strip 07Dec1998Cpn - 96.241121
UK Treasury Strip 07Jun1999Cpn - 93.223505
UK Treasury Strip 07Dec1999Cpn - 90.361379
UK Treasury Strip 07Jun2000Cpn - 87.688934
UK Treasury Strip 07Dec2000Cpn - 85.215783
UK Treasury Strip 8% 07Dec2000Principal - 8.37 (11May98)
UK Treasury Strip 07Jun2001Cpn - 82.793908
UK Treasury Strip 07Dec2001Cpn - 80.503959
UK Treasury Strip 07Jun2002Cpn - 78.269834
UK Treasury Strip 7% 07Jun2002Principal - 6.072 (11May98)
UK Treasury Strip 07Dec2002Cpn - 76.085825
UK Treasury Strip 07Jun2003Cpn - 74.069114
UK Treasury Strip 07Dec2003Cpn - 72.362656
UK Treasury Strip 07Jun2004Cpn - 70.206387
UK Treasury Strip 07Dec2004Cpn - 68.362126
UK Treasury Strip 07Jun2005Cpn - 66.837934
UK Treasury Strip 07Dec2005Cpn - 64.750459
UK Treasury Strip 07Jun2006Cpn - 62.916444
UK Treasury Strip 07Dec2006Cpn - 61.236202
UK Treasury Strip 07Jun2007Cpn - 59.613427
UK Treasury Strip 07Dec2007Cpn - 58.096977
UK Treasury Strip 7% 07Dec2007Principal - 5.815 (13May98)
UK Treasury Strip 07Jun2008Cpn - 56.470623
UK Treasury Strip 07Dec2008Cpn - 54.933468

Corporation and County Stocks

Bristol (City of) 11¾% Red Stk 2008 - 138½ (11May98)
Coventry (City of) 8¾% Ln Stk 2025 - 122.89921875 (12May98)
Dudley Metropolitan Borough Council 7% Ln Stk 2019 - 105.570125 (12May98)
Leicester (City of) 7¾ Ln Stk 25/1/2019 - 105.9606375 (12May98)
Newport (Borough Council) 8⅞% Red Stk 2019 - 127.171875 (12May98)
Salford (City of) 7% Ln Stk 25/1/2019 - 104.885 (07May98)

UK Public Boards

Port of London Authority 3% Port of London Wtd Stk 29/30 - 35 (07May98)

Foreign Stocks, Bonds etc- coupons payable in London

Abbey National Sterling Capital PLC 8¼% Sub Gtd Bds 24/05/04 £ (Var) (Br) - 110.44521875 (07May98)
BAA PLC 5¾% Crv Bds 2006 - 120½ (13May98)
Bayerische Hypoth-und Wechsel-Bank 6.75% Nts 1999 £ (Var) (Br) - 99¼ (13May98)
British Airways PLC 10⅞% Bds 15/06/08 £ (Var) (Br) - 129.6798875 (12May98)
British Gas PLC 7⅝% Bds 31/03/00 £ (Var) (Br) - 100.82
Compass Group PLC 5.75% Crw Bds 2007 £ (Var) - 138½ .68 .93 (08May98)
European Investment Bank 8⅞% Bds 25/08/17 £ (Var) (Br) - 130.19140625 (12May98)
GMAC International Finance BV 7⅝% Nts 10/02/00 £ (Var) (Br) - 99.7 (12May98)
Land Securities Finance (Jersey) Ltd 8% Gtd Crw Bds 2007 (Reg) - 131 (13May98)
Lloyds Bank PLC 11¼% Sub Ser Bds 14/12/99 £10000 (Br) - 100.3203125 (12May98)
Lloyds Bank PLC 10¼% Sub Ln Stk 2009 - 126½ (13May98)
Mercury Keyplans Inv Tst PLC 6.5% Bds 2022 £ (Var) (Br) - 100 (13May98)
National Westminster Bank PLC 11½% Und Sub Nts (Crw to Prf) (Br) - 144¼ (12May98)
National Westminster Bank PLC 11½% Und Sub Nts (Crw to Prf) (Br) - 143¼ (13May98)
Southern Estates PLC 10% Bds 03/08/17 £1 (Reg) - 129.83125 (12May98)
Tarmac Finance (Jersey) PLC 9⅝% Crv Cap Bds 04/04/06 (Reg) - 108½ (13May98) ¼ (13May98) ¼ (13May98)
United News & Media PLC 8¼% Sub Crw Bds 2003 (Reg) - 118½ (13May98)

Debt Issuance Programmes

Bradford & Bingley Building Society Cntl Flg Rte Nts 02/2005 £ (Reg) - 139½ ¼ (08May98)
Credit Commercial de France Flg Rte Nts 02/2001 - 299.9
Sweden (Kingdom of) 7¾% Bds 28/07/00 £ (Ver) (Br) - 101 1

Sterling Issues by Overseas Borrowers

Agence Francaise De Developpement 12⅝% Gtd Ln Stk 2013 (Reg) - 213.4608375 (12May98)
Bank of Greece 10¾% Ln Stk 2010 (Reg) - 131.8984375 (13May98)
Bank of Greece 10¾% Ln Stk 2010 £10000 (Br) - 131.9296875 (12May98)
Credit Foncier de France 10¾% Gtd Ser Ln Stk 2011/2014 (Reg) - 129.34078125 (12May98)
Credit Foncier de France 14¾% Gtd Ln Stk 2007 (Reg) - 157.83984375 (12May98)
Credit Foncier de France 14¾% Gtd Ln Stk 2007 £5000 (Br) - 157.83984375 (12May98)
Denmark (Kingdom of) 13% Ln Stk 2008 - 140.7304687 5 (12May98)
Electricite de France 11¾% Gtd Ser Ln Stk 2009/2012 (Reg) - 150.78125 (12May98)
European Investment Bank 9% Ln Stk 2001 (Reg) - 107 (01May98) .19921875 (12May98)
European Investment Bank 10⅝% Ln Stk 2004 (Reg) - 122.05078125 (12May98)
European Investment Bank 11% Ln Stk 2002 (Reg) - 117⅞ (12May98)
European Investment Bank 9% Ln Stk 2001 (Br) - 106½ (13May98) 7 (13May98) 7 (13May98)
European Investment Bank 9⅝% Ln Stk 2009 - 127.5390625 (12May98)
Finland (Republic of) 11¼% Ln Stk 2009 (Reg) - 141.1796875 (12May98)
Hydro-Quebec 12¾% Ln Stk 2015 - 160.609375 (12May98)
Hydro-Quebec 15% Ln Stk 2011 - 169.71875 (12May98)
Inter-American Development Bank 9¾% Ln Stk 2015 (Reg) - 138.3984375 (12May98)
Inter-American Development Bank 12⅝% Ln Stk 2003 - 124.571875 (12May98)
International Bank for Rec & Dev 9¼% Ln Stk 2010 (Reg) - 128.76953125 (12May98)
International Bank for Rec & Dev 9⅞% Ln Stk 2010 (Br) - 128.78953125 (12May98)
International Bank for Rec & Dev 11.25% Ln Stk 2003 - 123.55859375 (12May98)
Nova Scotia (Province of), Canada 11¾% Ln Stk 2019 - 157.55078125 (12May98)
Spain (Kingdom of) 11¾% Ln Stk 2010 (Reg) - 145% 6.421875 (12May98)
Sweden (Kingdom of) 9¾% Ln Stk 2014 (Reg) - 138% 6.8931525 (12May98)
Sweden (Kingdom of) 11% Ln Stk 2012 (Reg) - 144.609375 (12May98)
Sweden (Kingdom of) 13.5% Ln Stk 2016 (Regd) - 159% (12May98) ¾ (12May98) .9609375 (12May98)

Listed Companies (excluding Investment Trusts)

AB Airlines PLC Ord 5p - 97 (50) 6 (8) ¾ (9) 9 (13May98) 100 (13May98) 1⅝ (1) 2 (3) 3 (5, 2, 1, 0, 1)
Abbey National PLC 10⅝% Non-Cum Stlg Pf Shs £1 - 147¾ (13May98)
Abbey National PLC 6¾% Non-Cum Stlg Prf £1 - 123 (13May98)
Abbot Group PLC 7¼% Crw Prf - 152 (07May98)
ABF Investments 5¾% Uns Ln Stk 07/2002 50p - 47¾ (11May98)
ABF Investments 7¾% Uns Ln Stk 07/2002 50p - 40 (11May98)
Acacia Group PLC 7.5% (Net) Ser'2'Crw Prf Shs £1 - 113 (13May98) 3 (13May98)
Aggregate Industries PLC 11.25p Cum Red Pf 2005 10p - 123½ 30½ (13May98)
Aggregate Industries PLC 7.25p (Net) Crw Cum Red Prf 25p - 113 2 (13May98) 4 (13May98)
Alexon Group PLC 8.25p (Net) Crw Cum Red Pri 10p - 98 (12May98)
Allied Domecq Financial Serve PLC 5⅝% Gtd Crw Sub Bds 77/08 £1000 (Reg) - 109 (12May98)
Allied Domecq PLC ADR (1:1) - 10.22 (13May98) .69495494
Allied Domecq PLC 8¾% Cum Prf £1 - 98 (07May98)
Allied Domecq PLC 7¾% Cum Prf £1 - 110 (12May98)
Allied Domecq PLC 9⅝% Deb Stk 2019 - 136.76953125 (12May98) .8984375 (08May98)
Alvis PLC 5.5% Crw Cum Non-Vtg Red Prf £1 - 98½ (13May98) 7 (13May98) 7 (13May98)
Andrews Sykes Group PLC Crw Cum Prf 8¾p - 242 (13May98)
Anglian Water PLC Wts to Sub for Ord - 365 (08May98)
Arcadia Group PLC 8% Uns Ln Stk 08/2001 - 98 (07May98)
Ami Holdings PLC Ord 1p - 776 (13May98) 800 (5, 1, 8, 35, 6) 10 (5, 1, 3) 5 (7) 20 (1) 5 (1) 31 (8)
Armitage Bros PLC Ord 10p - 196 (08May98)
Arcol PLC 'B' Shs 61p - 69 (2, 1) 69 (11May98)
Asda Property Hldgs PLC 9.125% 1st Mtg Deb Stk 2020 - 128½ (13May98)
Asda Property Hldgs PLC 10⅝% 1st Mtg Deb Stk 2011 - 129 (12May98)
Avocet Mining PLC New Ord 25p (Nip - 27/05/98) - 1 (22)
BAA PLC ADR (1:1) - 10.42 (13May98)
Bailey (C.H.) PLC Ord 10p - 8 (13May98) ¾ (13May98) ¾ (13May98) ¾ (13May98) ¾ (13May98)
Barclays Bank PLC BZW FTSE Linkd Trade Protected Cap Units - p58.25 (07May98)
Barclays Bank PLC 12% Uns Cap Ln Stk 2010 - 142 (13May98)
Barclays Bank PLC 16% Uns Cap Ln Stk 2002/07 - 135 (11May98)
Barclays Bank PLC Ser Enhd Prf D Ld Ord Red Shs 1p - 111 (13May98) ¾ (13May98)
Barclays Global Inv Endowment Pc Ld Red Ord 1p - 159½ (13May98) 62 (13May98)
Barclays PLC ADR (4:1) - 114.75 (1)
Bass PLC 'B' Shs 25p - 86 (1, 76, 6, 1, 8, 4, 0, 1, 0, 1, 0, 1) 85 (1)
Bass PLC ADR (1:1) - 18.25 (13May98)
Bass PLC 10⅝% Deb Stk 2015 - 142⅞ (13May98)
B.A.T Industries PLC ADR (2:1) - 19.375 (13, 2) .4375 (4) 1.75 (13May98)
Bellway PLC 8.5% Cum Red Pri 2014 £1 - 127½ (12May98)
BB PLC 'B' Shs 30p - 26 (50, 2, 1, 0, 2, 0, 2, 1, 0, 1, 0, 1, 0, 1, 0, 1, 0, 1, 0, 1, 0, 1, 0, 1, 0, 1, 0, 1, 0, 1) 8 (13May98) 8 (13May98) 20 (1) 30 (08May98) 30 (13May98)
BG PLC ADR (5:1) - 28.75 (08May98)
Birmingham Midshires Building Soc 9⅝% Perm Int Bearing Shs £1000 - 130½ (13May98)
BLP Group PLC 8p (Net) Crw Cum Red Prf 10p - 111 (11May98)
Blue Circle Industries PLC ADR (1:1) - 6.87 (13May98)
Blue Circle Industries PLC 5⅝% 2nd Deb Stk 04/2009 - 97 (07May98)
Blue Circle Industries PLC 6¾% Uns Ln Stk (1975 or after) - 98½ (13May98) ¾ (13May98)
Booker PLC ADR (4:1) - 18.12 (13May98)
Bournemouth & West Hampshire Water PLC 6.5% Cum Irrd Pref £1 - 131½ (13May98)
BPB PLC 7.25% Crw Sub Bds 25/06/08 £1000 (Reg) - 108½ (08May98)
Bradford & Bingley Building Society 11¾% Perm Int Bearing Shs £10000 - 139½ (13May98) 3½ (13May98)
Bradford & Bingley Building Society 13% Perm Int Bearing Shs - 177½ (12May98)
Bradford Property Trust PLC 10⅝% Cum Prf £1 - 125 (11May98)
Brent International PLC 9% Cum Red Prf £1 - 118½ (13May98)
Bristol & West PLC Prf £1 - 138 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) 8 (13May98) ¾ (13May98) ¾ (13May98) ¾ (13May98)
Bristol & West PLC 12⅝% Uns Perp Sub Bds - 181 (13May98)
Bristol Water Hldgs PLC Non-Vtg Ord £1 - 1200 (07May98)
Bristol Water PLC 8¾% Cum Irrd Prf £1 - 138 ¾ 40 (12May98)
Britannia Building Society 13% Perm Int Bearing Shs £10000 - 179 (13May98) 90 (13May98) 50 (13May98)
British Airways PLC ADR (10:1) - 108.625 (3) .75 (3)
British Ratings Group PLC 5.5% Crw Red Prf £1 - 90 (13May98)
British Land Co PLC 10⅝% Dbl 1st Mtg Deb Stk 2019/21 - 142½ (13May98)
British Land Co PLC 11⅝% 1st Mtg Deb Stk 2019/24 - 144¾ 52½ (13May98)
British Petroleum Co PLC ADR (6:1) (Each Crw into 8 Ord 25p) - 69.6875 (10) .53.5625 (2) * .625 (10) .75 (13May98) .875 (20) 4 (13May98) 4 (13May98) .5625 (5) .125 (12) .3125 (13May98) .25 (25) .375 (1) .4 (10) .4375 (50) .5 (19, 25, 10, 25, 10) .5625 (75) .625 (10) .6875 (1)
British Petroleum Co PLC 6% Cum 1st Prf £1 - 106½ (13May98)
British Sky Broadcasting Group PLC ADR (6:1) - 43.167 (4) * .625 (8) .75 (3) 4 (2) .125 (5)
British Steel PLC ADR (10:1) - 27.875 (25) .875 (13May98) * 8.06 (50) .1875 (20, 6) .3125 (10) .3740354 (25) .375 (3) .5 (13May98) .5625 (13May98) .625 (5) .625 (13May98) .69 (119) .69833636 (1) .69854951 (24) .6875 (5) .6875 (13May98) .6875 (13May98)
British Sugar 10⅝% Red Deb Stk 2013 - 138½ (13May98)
British Telecommunications PLC ADR (10:1) - 106.121483 (13May98) .35 (13) .371454 (10) .5 (13May98) .5 (13May98) .5 (13May98)
Broadcastle PLC 8p (Net) Cum Red Prf £1 - 100 ¼ (07May98)
Buckhaven Hldgs PLC Non-V Ord 10p - 93 (13May98)
Burnell Holdings PLC 4.6p (Net) Crw Cum Red Prf 20p - 85 (13May98) 7 (12May98)
BTR PLC ADR (4:1) - 13.89 (12May98)
BTR PLC Non-Cum Red Prf Shs 50p - 28 (13May98) ¾ (13May98) ¾ (13May98) ¾ (13May98) ¾ (13May98) 40 (13May98) 40 (13May98)
Budgens PLC 5% Crw Uns Ln Stk 2003 - 138 (11May98)
Bulgin PLC Ord 5p - 139 45 (11May98)
Bunzl (NLP) Hldgs PLC 8¾% 2nd Cum Prf 91 - 128 (13May98)
Burford Group PLC 5⅝% 1st Mtg Deb Stk 2019 - 132½ (12May98)
Burmah Castrol PLC 7⅝% Cum Red Prf £1 - 98½ (13May98)
Burnblane Investments PLC 15% Uns Ln Stk 2007/12 - 130 (12May98)
Cable & Wireless Communications PLC ADR (5:1) - 35.625 (5) * .71875 (20) .7188 (13May98) .75 (30) 7.1023 (12May98)
Cadbury Schweppes PLC ADR (4:1) - 57.9375 (6) *8.125 (10, 150) .14 (10)
Cardiff & Counties PLC 11¼% 1st Mtg Deb Stk 2021 - 154.30078125 (11May98)
Carraton PLC 'B'Shs £1 - 62 (0) 4 (1)
Carlton Communications PLC ADR (5:1) - 42.2 (1) * .8 (2)
Carlton Communications PLC 5.5p (Net) Cum Crw Prf - 144 .16 ¾ (12May98)
Charities Building Society 7⅝% Per Perm Int Bearing Shs - 117 (13May98)
Chilbrew PLC Wts to Sub for Ord - 2 ¾ (08May98)
Costa Picena PLC 6¾% Uns Ln Stk 2008/07 - 99 (11May98)
Costa Vyella PLC 4.9% Cum Prf £1 - 85 (11May98)
Costa Vyella PLC 6¾% Ser Crw Bds 09/08/03 £1000 (Reg) - 98½ (13May98)
Cohen (A) & Co PLC Non-V'R Ord 20p - 270 (12May98)
Commercial Union PLC 6⅝% Cum Irrd Prf £1 - 148 (13May98) 6 (13May98) 6 (13May98) 6 (13May98) ¾ (13May98)
Commercial Union PLC 8¾% Cum Irr Prf £1 - 155¼ (13May98) ¾ (13May98) ¾ (13May98) ¾ (13May98) ¾ (13May98) 6½ (13May98)
Cookson Group PLC 7¾% Crw Bds 2011/2004 (Reg) - 111½ (13May98) 8½ (13May98)
Co-Operative Bank PLC 9.25% Non-Cum Irrd Prf £1 - 150½ (12May98) 1 (13May98)
Co-Operative Wholesale Society Ltd 7⅝% 1st Mtg Deb Stk 2018 - 110½ (12May98)
Coutts Consulting Group PLC 8p (Net) 2nd Cum Red Pref Shs 50 - 66 99 (11May98)
Coventry Building Society 12¼% Perm Int Bearing Shs £1000 (Reg) - 169½ 70 (12May98)
Cranes Europe Ltd 5⅝% Cum Prf Shs £1 - 70 (12May98)
Creston Land & Estates PLC 6% Crw Uns Ln Stk - 85 (13May98)
Daily Mail & General Trust PLC Ord 50p - 2495 (13May98)
Davenport Knitwear PLC Ord 10p - 625 (13May98)
De Beers Consolidated Mines PLC 8¾% Ln Stk 2005 - 107.12890625 (12May98)
Debenhams Retail PLC 7¾% Uns Ln Stk 2002/07 - 101 (07May98)
Dewhurst PLC Ord 10p - 55 (08May98)
Dixons PLC 'B' Shs 314 12½p - 498 (2) 5 (13May98) 5 (13May98) 5 (1) 510 (4, 2)
Dixons PLC ADR (4:1) - 49.5542 (13May98) .625 (13May98) .6585 (13May98) .675 (13May98)
Dixons Group PLC ADR (5:1) - 28.75 (13May98)
Dragon Oil PLC Wts to Sub for Ord 10P0.25 - 23 (12May98)
East Surrey Hldgs PLC 7.9% Cum Irrd Prf £1 - 122½ 3 (07May98)
Ecclesiastical Insurance Office PLC 8.625% Non Cum Irrd Pf £1 - 133 (13May98) ¾ (13May98) ¾ (13May98) ¾ (13May98)
Eclipse Blinds PLC Crw Prf Shs 8p - 131 (08May98)
Emess PLC 6.25p (Net) Cnv Cum Prf 5p - 85 (13May98) 7 (13May98)
Energy Group PLC ADR (4:1) - 54.895
Enterprise Oil PLC 10¾% Uns Ln Stk 2013 - 138½ (13May98) ¾ (13May98)
Environmental Investment Company Ld Zero Dir Pref Shs 1p - 123 (13May98)
Eurotunnel PLC/Eurotunnel SA 1991 Wts (1E PLC & 1SA Wt to Sub Ute) (Reg) - 23 (08May98)
Evans of Leeds PLC 11% 1st Mtg Deb Stk 2025 - 153.18015625 (12May98)
Exploration Co PLC Ord Stk 5p - 360 (11May98)
Feedback PLC 10% Cnv Red Prf Shs £1 - 128 (07May98)
Fenchurch Beds & Pillows Co Prf Units (Comp 100 Prf & 1 Pfg) - 114½ (13May98) 6½ (13May98)
Finanet Debenture PLC 9.85% Several Deb Stk 2022 - 133.80078125 (12May98)
First National Building Society Flg Rate Perm

WorldCom head retires

By Alan Cane

Colin Williams, WorldCom's European chairman, has retired from the acquisitive US telecommunications group, leaving Liam Strong in sole charge of all the company's operations *outside* continental America.

He had been withdrawing from day-to-day management since Mr Strong's surprise appointment as head of WorldCom's international division in October last year.

Mr Williams, 58, said it *was the third time he had* "retired" in 15 years. A 25-year veteran of the telecommunications industry who has held senior posts at Plessey, Pirelli and British Telecommunications, Mr Williams said he expected to become involved in "the odd start-up".

Since making known his availability, "the phone has been ringing off the hook". He would remain a substantial shareholder in the company.

Both men categorically rejected industry rumours of a clash of management styles. Mr Strong said: "It is difficult to have a clash of styles when you are doing different things."

Mr Williams pointed out *that he had recruited Mr* Strong to the job. He said WorldCom was at a stage in its development where it needed the organisation and business discipline that Mr Strong was injecting rather than his entrepreneurial approach: "A growing company needs different skills at *different times*," he said.

Mr Strong who will report directly to John Sidgmore, WorldCom chief operations officer, was a controversial choice, having little telecoms experience and having endured harsh criticism from investors and analysts during his period as head of the Sears retailing group.

Yesterday, he said he was enjoying the challenge: "The company is great. I would defy anyone not to enjoy the telecoms industry."

GROUPE BRUXELLES LAMBERT S.A./N.V.

Limited Company

Registered office: avenue Marnix 24, 1000 Brussels
Registered at Brussels, n° 246108 - VAT N° BE 403228010

Shareholders are invited to attend the Annual General Meeting followed by an Extraordinary General Meeting which will be held on Tuesday 26 May 1998 at 5 pm, at the registered offices at 1000 Brussels, 24 Avenue Marnix.

AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

1. Management report and auditor's reports on the 1997 financial year.
2. Annual accounts at 31 December 1997.

   The Board proposes the meeting to approve the accounts, including the allocation of profits.
3. Discharge of Directors.

   The Board proposes the meeting to discharge the Directors.
4. Discharge of the Auditor.

   The Board proposes the meeting to discharge the Auditor.
5. Resignation of three Directors.

   Statutory nomination: the Board of Directors proposes to renew, for a period of three years, the term of office of statutory auditors granted to Deloitte & Touche, Auditors, and to set their fees accordingly.
6. Miscellaneous.

AGENDA OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

1. *Temporary authorisation to purchase shares in the company*

   Proposal to authorise the Board of Directors for a period of eighteen (18) months, to purchase the company's shares in the stock market, up to a maximum number of two million four hundred thousand (2,400,000) shares at a minimum price of three thousand five hundred francs (3,500) and a maximum price of eight thousand francs (8,000) and to authorise subsidiaries of the company, as defined in the second paragraph of article 52 quinquies section 1 of the co-ordinated laws on commercial companies to purchase shares in it subject to the same conditions.
2. *Renewal of express temporary authorisation to increase the share capital where there is a takeover bid*

   a) *Proposal to renew, from this day for a period of three years, the* express authorisation given to the Board of Directors to increase the share capital in the case of a bid being made to take over the company.

   This authorisation does not restrict the power of the Board of Directors to enter into transactions using the authorised capital, other than those restrictions imposed by sections 3 and 4 of article 33 bis of the co-ordinated laws on commercial companies.

   b) Consequently, proposal to renew this authorisation granted to the Board on the same terms and under the same conditions as those defined by the general meeting of the twenty-eighth of May nineteen hundred and ninety-six, including under item II.b. of article 6 of the articles of association, the text of which is retained subject to the replacement of the date of the twenty-eighth of May nineteen hundred and ninety-six by that of the general meeting that decides upon this renewal.
3. *Renewal of the authorisation to purchase shares in the company to avoid it suffering serious and imminent damage*

   a) Proposal to renew, from this day for a period of three years from the date foreseen in law, the authorisation given to the Board of Directors to purchase shares in the company to avoid it suffering serious and imminent damage.

   b) Consequently, proposal not to modify article 10 of the articles of association except to replace, in the third paragraph of section 1 of this article, the date of the twenty-eighth of May nineteen hundred and ninety-six by that of the general meeting that decides upon this renewal.
4. *Other modifications to the by-laws.*

   Article 5: proposal to modify this article relating to the share capital by the introduction of a second paragraph drafted as follows:

   "As soon as the EURO, the European Union's new single currency, enters into circulation, the Board of Directors will *have the power to use it as the currency in which the share* capital is expressed and, where appropriate, to amend the articles of association to this effect. Any such decision will be published by the company in the Appendices of the Moniteur Belge."

   Article 8: proposal to replace the words "through a stockbroker" with the words "using an intermediary recognised by law" in the second paragraph.

   Article 30: proposal to modify this article relating to the annual accounts by inserting a new paragraph, between the second and third paragraphs, containing the following text:

   "The annual accounts are drawn up in the currency in which the share capital is expressed, that is the Belgian franc, or as soon as the EURO enters into circulation, in the new single currency of the European Union should the Board of Directors exercise the power granted in article 5 of these by-laws."
5. *Powers*

   Proposal to confer all powers on the Board of Directors necessary for the execution of resolutions adopted on the foregoing items.

In order to attend this meeting, shareholders are requested to comply with the coordinated laws on commercial companies and article 26 of the Articles of Association.

In accordance with article 25 of the Articles of Association:

- the owners of bearer shares must deposit their shares by 19 May 1998 at the latest at one of the following locations:

in Belgium:	Registered office - Bank Branch Lambert - Banque Artesia - Générale de Banque - Kredietbank
in France:	Banque Bruxelles Lambert (France) - Banque Paribas
in Luxembourg:	Banque Internationale à Luxembourg - Banque Paribas (Luxembourg) - Crédit Européen
in the Netherlands:	ABN-Amro Bank
in Switzerland:	Banque Bruxelles Lambert (Suisse)

- the registered shareholders are requested to inform the company on 19 May 1998 at the very latest, by sending a letter or a proxy, that they intend to attend the shareholders' meeting and to communicate the number of shares they want to vote.

The annual report will be made available to the public as from 11 May at the company's registered office, Avenue Marnix 24, 1000 Brussels.

Shareholders are requested to come, if possible, half an hour before the start of the meeting in order to facilitate the preparation of the list of attenders.

The Board of Directors

INDUSTRIALS GROUP BELIEVED TO BE CLOSE TO CHOOSING BUYER FOR HOTELS CHAIN VALUED AT MORE THAN £300M

Favourite emerging for Lonrho's Princess

By Andrew Edgecliffe-Johnson

Lonrho, the former conglomerate, is believed to be a month away from completing the most drawn-out part of its restructuring. It is believed that one bidder has emerged from the shortlist *of potential US buyers for its* Princess hotels chain.

It is understood that Lonrho should receive more than $500m (£307m) for the bulk of the 10-strong collection of luxury hotels, which was first put on the market in 1996.

Such a price would be slightly above the $450m which Prince Al-Waleed Bin Talal is thought to have offered last autumn, before the sale talks broke down. Since Lonrho's year-long *negotiations with the prince* ended, it has benefited from a buoyant hotel market and strong interest from US buyers, although profits from the division fell from £17m to £14m last year.

Hilton, Host Marriott and Starwood Hotels & Resorts are all thought to be on Lonrho's shortlist, but it is believed that there is a favourite. The sale is being handled for Lonrho by Deutsche Morgan Grenfell.

Analysts said that the package may not include all 10 properties, which are spread from Mexico to the Bahamas, making it difficult to compare the mooted price with Princess's most recent net asset valuation of £334m.

Paul Slattery, hotels analyst with Dresdner Kleinwort Benson, said that American hotel groups had been attracted by the quality of Princess's hotels in Arizona and Acapulco.

Several analysts have said that Lonrho needs to complete the Princess sale fast to alleviate debt, as it spent £162m on the acquisition of the Tavistock colliery and £176m buying back shares from Anglo American.

The final consideration for Princess will include an element of debt. At September 1996, the last date for which detailed figures were available, the net assets were valued at £269m after £91m of *debts*. The asset values have since been written down.

Lonrho's directors were in Johannesburg yesterday for their first board meeting since the demerger of Lonrho Africa. The group's assets will largely be African gold, platinum and coal mines after the hotel sale.

Rumours that the board had flown to Johannesburg to discuss the future of Gencor's 27 per cent stake in Lonrho's platinum division were scotched by both companies. Brian Gilbertson, chief executive of Gencor, said, however, that he would be considering what to do about Gencor's platinum interests shortly.

Among the items on the *agenda was a change of* name for the company, as a symbolic break with its past.

Spokesman: Alan Finden-Crofts' working base in the UK is a seaside home in West Sussex — Tony Andrews

Foreign push for Raleigh cycles

By Peter Marsh

Derby Cycle Corporation, the world's biggest bicycle group, intends to spend up to $250m (£153m) on acquisitions following the sale of a majority stake in the company to US investors.

The UK-based group, best known for its Raleigh brand, plans to buy rival companies in the US and continental Europe in a bid to double annual sales to $1bn over the next three years.

The proposed acquisition programme comes after two US investment groups Thayer Capital Partners and Perseus Capital decided to take a majority share in Derby Cycle in a deal valuing the company at about $800m.

Thayer is buying 45 per cent of the business and Perseus 11 per cent, from Derby International, an investment vehicle controlled by a number of private investors including Alan Finden-Crofts, chief executive of Derby Cycle.

Mr Finden-Crofts said that under the new ownership Derby would be able to raise more money through borrowing and bond issues than was the case under its previous structure.

He said there was a "tremendous opportunity" to lift the group's share of the highly fragmented world cycle industry.

Last year Derby made 2.1m cycles in plants in the UK, the Netherlands, Germany, the US and Canada. Just over 1,000 of its 3,500 employees work at its biggest factory in Nottingham, the home of Raleigh for more than a century.

To keep costs down, the group imports a large volume of its components from China and Taiwan, where it has a large trading operation. It claims about 2 per cent of the world's estimated $25bn-a-year cycle industry, much of which is controlled by companies in China and Taiwan.

Prior to the ownership change, Derby Cycle operated under the Derby International name.

The deal has allowed existing investors, including Mr Finden-Crofts, to make large sums estimated at several million pounds from selling some of their stake.

Mr Finden-Crofts – a former chief executive of Dunlop Slazenger, the sports goods company previously part of BTR – is one of Britain's leading exponents of "lean management".

He eschews a head office and when in Britain works from his seaside home in West Sussex.

Decaux adviser changes its tune on competition

By Andrew Edgecliffe-Johnson

A political lobbying firm retained by Decaux in its £475m bid for More Group had earlier told a rival bidder there were grounds for the French bus shelter and billboard group's offer to be referred to the Monopolies and Mergers Commission.

GJW Government Relations wrote to Mark Mays, president of Clear Channel Communications, on March 30 – the day Decaux *trumped the US media* group's £446m bid for More.

Rory Chisholm, a GJW director, wrote: "I am confident that competition and other public interest grounds do exist for a reference to the MMC of the offer announced today by Decaux." GJW has since been arguing on Decaux's behalf that no such reference is warranted.

Mr Chisholm added: "In particular, we feel that important concerns could be raised among local authorities (many of which are also customers in this market), members of parliament (some of whom have links to local authorities), government officials and special advisers."

The letter adds that one of the special advisers to Margaret Beckett, trade and industry secretary, "has previous experience of this market and may well be sceptical of Decaux's offer".

Mr Chisholm concluded: "I would be happy to discuss *with you how a reference of* Decaux's rival offer to the MMC could be encouraged."

Yesterday, Mr Chisholm said: "I am still confident that grounds exist, which is why the Office of Fair Trading is looking at it. But of course I don't think it should be referred and I think on balance it won't be."

He added that GJW, which is headed by Andrew Gifford, *wrote to both* Clear Channel and Decaux at about the same time offering its services. "This case can be argued in both ways – either as competitive or anti-competitive," he said. "We're advising Decaux and we take the view it would not be anti-competitive."

Decaux will discover by Thursday whether its bid will be referred or not. Although Decaux and More would together control almost 90 per cent of bus *shelter advertising in the* UK, the French group has argued that the competition authorities should look at the wider outdoor advertising market, of which the two control less than 25 per cent.

Clear Channel, which chose Shandwick to do its lobbying, yesterday extended its offer until May 28, and repeated its view that a Decaux takeover of More "would stifle competition".

Allied issues profits warning

By Peggy Hollinger

Allied Carpets yesterday became the latest UK retailer to signal a sharper than expected downturn in consumer spending, issuing its first profits warning since flotation in 1996.

The group, which has about 13 per cent of the UK carpet market, said a sudden *drop in trading in recent* weeks would leave profits this year considerably below the £16.7m ($27.2m) achieved in 1997. After the announcement, Allied shares lost more than a third of their value, falling from 136p to 89p, leaving them at less than half the 215p float price.

Ray Nethercott, managing director, said there was a "distinct lack of consumer confidence around", particularly in the north of the country. Allied recorded sales increases of about 2 per cent early this year but had seen a drop of 10 per cent year on year since Easter.

Allied's warning echoed the experiences of other con*sumer durables retailers* earlier this year. MFI, DFS and Carpetright all warned in early March that trading had been disappointing after the January sales, leading to sharp falls in their share prices. All three suffered further declines yesterday on the back of Allied's warning.

Mr John Richards, retail analyst with BT Alex. Brown, estimated 20 per cent of the retail sector had issued profits warnings so far this year. "I would guess that number could double before the end of the year."

BT Alex. Brown forecasts that consumer spending will rise by about 3 per cent this year. However, Mr Richards said a greater proportion of *spending appeared to* be going on leisure instead of into the high street. "This year will be that much more difficult as a result," he said.

Some analysts suggested the durables retailers such as Carpetright and Allied Carpets were suffering from expanding too quickly.

"They have tied themselves into lots of expensive leases at a difficult time," said one.

Mr Nethercott said Allied was not expecting any sales growth, excluding new stores, in the coming year. "We will increase profits by growing the margin and looking at every aspect of the cost base," he said.

Mr Nethercott also said the board *would explore* a range of options to increase shareholder value, including a share buy-back.

Analysts cut profit forecasts from as much as £18m to about £13m for the current year and are looking for about £14m next year. Allied said it intended to maintain the final dividend at 5p.

Chrysalis hopes future is black

By Cathy Newman

Chrysalis, the media and entertainment group, hopes to move back into the black next year.

Chris Wright, chairman and the owner of more than 30 per cent of the company, yesterday reported a £894,000 pre-tax loss (profits of £1.47m) for the six months to the end of February. The company is expected to record pre-exceptional losses for the year to the end of August – its sixth consecutive annual deficit.

It reported a fourfold rise in profits in its visual entertainment division, and said it had sold its Australian soap "Breakers" in 18 countries, including to BBC1.

Mick Pilsworth, chief executive of Chrysalis visual entertainment, said the arrival of digital television later this year meant more customers for the group's programming. Chrysalis had held a meeting with ITV about providing programming for its digital service, ITV2, he added.

In radio, Chrysalis has concentrated on its Galaxy and Heart popular music stations. Its five radio licences gave it access to 22m adults.

Richard Huntingford, chief executive of Chrysalis Radio, said the company would not *bid to operate the national* digital radio licence. However, "major operators" such as Chrysalis and GWR could "get together and talk about offering services and jointly running local [digital] radio". The local licences will be advertised later this year.

Turnover in the music division fell to £12.1m (£16.5m), and losses rose from £380,000 to £1.78m. Releases from the record label, Echo, are skewed towards the second half and investment in US music publishing increased the deficit. However, analysts were optimistic about new albums due out in the second half from artists including Lhooq and Moloko.

Chris Wright hopes group will move back into profit next year

Group turnover rose 14 per cent to £59.9m, and operating losses fell 38 per cent to £1.2m. Losses per share were 3.77p (earnings of 6.19p). The shares closed up 20p at 765p.

Comment

● One of Chrysalis's recent records featured on the Great Expectations soundtrack. And like Pip, the hero *of the Dickens novel*, great things are expected of this company. Its radio and television businesses are developing into high quality assets, and while music has had a patchier time of it, forthcoming album releases look promising. But in spite of its promise, Chrysalis still has plenty to prove. There may be rewards, though, for those willing to take the risk. Credit Suisse First Boston forecasts a £1.4m loss for this year, and a £1m profit for the next.

RESULTS

	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Chrysalis — 6 mths to Feb 28	59.9	(52.5)	0.894L	(1.47¶)	3.77L†	(6.19)	-	-	-	-	2.75
Plantation & Gen — Yr to Dec 31	51	(45.2)	1.73L♦	(0.915)	8.3L	(1.2)	nil	-	1.5✱	nil	2✱
Screen ♁ — Yr to Dec 31*	4.3	(2.5)	1.3L	(0.38)	0.7L	(0.2)	-	-	-	-	-
Therapeutic Anti $ — 3 mths to Mar 31	0.385	(0.459)	3.9L	(4.31L)	0.171L†	(0.18L)	-	-	-	-	-
Investment Trusts	**NAV (p)**		**Attributable Earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
Albany — Yr to Feb 28	241.42	(185.87)	0.678	(0.515)	6.77	(5.13)	3.85	July 9	3.45	5.55	5.05
German Smaller Cos — Yr to Mar 31	138.7	(128.8)	0.26	(0.625)	0.6	(1.2)	0.6✱	July 22	1.1‖	0.6	1.1

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♦After exceptional charge. ¶After exceptional credit. †On increased capital. ♦Aim stock. ✱Foreign income dividend. ‖Includes 0.7p paid as FID. $US currency. * Comparatives pro forma.

NEWS DIGEST

TRANSPORT

Finance head leaves Servisair

Servisair, the aircraft and ground-handling company, yesterday announced the departure of David Cranmer, its finance director, after a series of disappointments for the company. Servisair's shares were badly hit in January when it issued a profits warning. Its full-year profits fell slightly in the year to December 1997, after it was hit by technical accounting changes.

Mr Cranmer is to be replaced by Jeremy Coates, group finance director of Owen Williams Group, the consulting engineer. He was previously in a number of senior positions at NFC, the logistics company.

Mr Cranmer is expected to receive a full year's pay of £110,000 in lieu of notice. He resigned as a director and leaves Servisair at the end of this month. The shares were unchanged yesterday at 282½p. **Robert Wright**

FOOD PRODUCERS

P&G hit by provision

Richard Clothier, the new chief executive of Plantation & General Investments, believes its African acquisitions offer good value. The tropical agriculture and hand tools group, which this week sold its Chillington tool plants for about £600,000, *announced a £2.6m provision for the possible drop in the* value of assets which it has earmarked for disposal. The provision knocked the group from a £915,000 pre-tax profit to a £1.73m loss for 1997, despite an increase in pre-exceptional profits from £1.21m to £3.8m, and an advance in sales from £45.2m to £51m. It is paying no dividend, having paid 2p last year. **Andrew Edgecliffe-Johnson**

PROPERTY

Probus Estates in placing

Probus Estates is to part-finance its proposed acquisition of Holland Properties of the Netherlands through a placing and open offer of up to 85.8m shares on a 2-for-3 basis at 10p each. Prernag, Probus's Dutch subsidiary, is paying Fl 17.8m (£5.25m) for Holland Properties and the value of the properties being acquired is Fl 66m. Prernag will also assume some Fl 45.8m of debt. It plans to raise some of the consideration by the issue of a loan note through Larmag Investments of the Netherlands. The minimum net proceeds of the placing and open offer, which is not underwritten, and the issue of the convertible loan note will be £4.24m and the maximum net proceeds £9.89m.

PHARMACEUTICALS

Warning hits VDC shares

Shares in VDC slipped by 17p to 155p yesterday after the Aim-listed distributor and supplier to the animal health and dental healthcare markets said it expected full-year profits to be below market expectations, although still ahead of last year's pre-tax £1.67m. It had taken further measures to reorganise the Procare dental business, which had not shown the modest sales increases that were foreseen.

SECURITIES FOREIGN COMPETITION AND LOWER STOCK MARKET VOLUMES LEAVE MID-SIZE HOUSES IN RED

'Big Bang' hits Japanese brokers

By Gillian Tett in Tokyo

Japan's medium-sized brokers announced dismal results yesterday, illustrating the pressures on the sector as the country's Big Bang financial deregulation gets under way.

Employment in the securities sector fell 10.5 per cent last year, to 98,516, because of job cuts and the closure of several brokers. Staff levels in the industry are now 41 per cent below their peak in 1991.

Eight out of nine mid-size brokers recorded pre-tax losses in fiscal 1997, which collectively totalled Y39.1bn ($292m). For Dai-Ichi Securities and Yamatane Securities, which respectively lost Y4.7bn and Y2.7bn, this was the eighth year in the red, while Kankaku Securities and Cosmo Securities, which posted deficits of Y14.4bn and Y2.3bn, reported their seventh year of losses.

The poor performance is expected to lead to a shakeout of the sector in the coming year, analysts say. Some brokers may close or be forced into mergers with other brokers or related banks.

James Fiorillo, analyst at ING Barings, said: "A lot of these companies have share prices trading around Y100, and at that level you have to ask whether they can last."

The industry's problems stem from the fall in stock market volumes and the wave of foreign competition ushered in by Big Bang. This is expected to intensify this year: Merrill Lynch, the US broker, is developing a distribution network after purchasing some outlets of Yamaichi Securities, Japan's fourth largest broker, which failed last November.

Brokers' revenue streams could fall further this year because commissions on equity trades over Y50m have dropped by about 40 per cent since April 1 as a result of liberalisation.

However, an encouraging sign for the industry is that some retail sales of foreign investment instruments are now rising. The Japan Securities Dealers' Association yesterday said net purchases of non-yen money market funds rose from Y37.6bn to Y290.7bn in the year to April. This business is dominated by large brokers, such as Nomura, Nikko and Daiwa, but some medium-sized brokers, such as Kokusai, are also expanding into the sector.

Koknsai yesterday was the only mid-size broker to report strong results, recording a pre-tax profit of Y10.7bn in 1997, up from Y10.3bn the previous year. The company also said it would change its articles to allow it to buy back up to 10 per cent of its shares.

Koichi Kane, Kokusai managing director, said yesterday: "I think we have done better because we have also been pursuing an asset management advisory business for a long time and trying to cut costs."

Goldminers reach deal on Driefontein control

By Victor Mallet in Johannesburg

The Anglo American group and its rival Gold Fields yesterday reached agreement on the future of South Africa's rich but long-disputed Driefontein Consolidated gold mine. The deal will unwind one of the last big cross-shareholdings in the South African gold mining industry.

"Driefontein is the Northern Ireland of the mining industry," said Brian Gilbertson, Gold Fields chairman. "It's been a business that has involved a great deal of tension and antagonism for many, many years."

A joint venture will be established to manage Driefontein, with the interests of Gold Fields and Anglogold – the newly created gold mining arm of Anglo – represented in a ratio of 3 to 2. Assuming the minorities are bought out, this will leave Gold Fields with 60 per cent of the mine and Anglogold with 40 per cent. Driefontein would then be delisted.

The two sides agreed the mine would be managed as an independent operation, and that important business decisions – including the appointment of a chief executive, the approval of the annual business plan and hedging policy – would require unanimity between Gold Fields and Anglogold.

The deal resolves the conflict of interest for Anglo American in controlling Anglogold and simultaneously owning 23 per cent of Gold Fields of South Africa (GFSA), the parent of Gold Fields. GFSA will divest its holding in Gold Fields to shareholders, including Anglo. Anglo will use those shares to increase its stake in Driefontein from the current 21.5 per cent. Gold Fields now controls 41 per cent of Driefontein.

"This is the breakdown of the greatest pyramid and cross-shareholding in the South African gold mining industry," Mr Gilbertson said.

Both Anglogold and Gold Fields are untangling the complicated shareholding structures that grew up under apartheid. The two companies want to make themselves attractive to institutional investors by becoming focused, high-quality gold mining groups.

GFSA, which is blamed in the industry for the poor performance of Driefontein in the past, will be left with a handful of operations in coal, copper and platinum mining and a range of investments in other South African companies.

Mr Gilbertson said he reached initial agreement with Bobby Godsell, Anglogold chief executive, at the resort of Plettenberg Bay in December.

Speaking from the US yesterday, Mr Godsell said the joint-venture deal was "another step in the South African gold mining industry coming of age".

Maserati costs to put brake on Ferrari growth

By Paul Betts in Modena

Ferrari, the legendary sports cars manufacturer owned by Italy's Fiat automotive group, yesterday reported a sharp increase in 1997 pre-tax profits and sales. But it warned that earnings this year would decline because of the costs of relaunching Maserati, the troubled company which once challenged it on the Formula One racing circuit.

Last year, Fiat transferred control of Maserati to Ferrari to engineer the recovery of the company. Luca di Montezemolo, Ferrari chairman, said yesterday that he expected Maserati to return to profit in four years time after its relaunch this year.

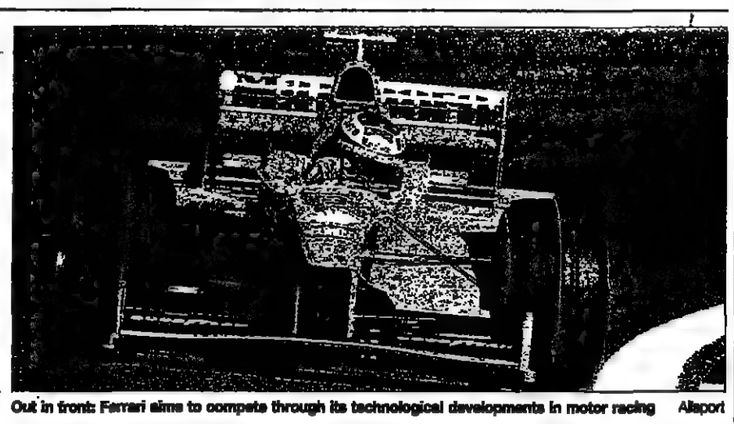
Maserati produced only 700 cars in 1997, reflecting in part Ferrari's decision to shut down Maserati's plant for six months. After a complete re-engineering, the Maserati plant reopened at the end of March and is expected to produce about 1,000 cars this year, including a new coupé to be launched at the Paris Motor Show in September.

"We intend to keep Ferrari and Maserati as two separate and distinct companies," explained Mr Montezemolo. "While Ferrari will maintain its unique and exclusive characteristics, producing no more than 3,500 cars a year, we see Maserati becoming a sort of Italian-style Jaguar," he added.

The target for Maserati was to produce 6,000 cars a year by 2002 or 2003, with "a good range of products and worldwide presence, including in the US", he said.

Maserati had to abandon the US market because of legal problems under its previous ownership, but Ferrari is now preparing to relaunch the marque in the country.

Last year, Ferrari saw its sales top L1,000bn for the first time in its history, with revenues of L1,044bn ($594m)compared with L878bn in 1996. Pre-tax profits rose sharply, from L12bn in 1996 to L37.8bn last year. The company also maintained a high rate of research and development spending, at 15 per cent of gross annual revenues.



Out in front: Ferrari aims to compete through its technological developments in motor racing Allsport

Mr Montezemolo said the company expected to remain in profit this year in spite of the Maserati relaunch. The company is budgeting for a pre-tax profit of about L20bn this year and production of 4,500 cars, including 3,500 Ferraris and 1,000 Maseratis. Ferrari alone should achieve pre-tax profits of about L60bn in 1998.

Mr Montezemolo added that Ferrari intended to maintain an edge on its new competitors by staying in the vanguard of technological developments gleaned from its motor racing activities.

Mr Montezemolo said the introduction of a Formula One gear box on the F355 sports car was likely to lead to "a revolution in the way you will drive cars in the future".

With the Ferrari F1 gear system, drivers change gears by pushing buttons on the steering wheel but also have the option of driving the car as if it were a standard automatic.

The system was developed in co-operation with Magneti Marelli, the Fiat car components subsidiary, which is now expected to sell the system to BMW. Fiat is also introducing the new system for Alfa Romeo and some of its other cars.

Mr Montezemolo quashed speculation that Ferrari may seek a stock market listing. "It is an issue that involves my shareholders, but there are no plans and I don't think it makes any sense," he said.

As for the eventual return of Maserati to the racing circuits, he said it was still too early to say. "But in any case it certainly won't be in Formula One".

While Michael Schumacher tore round the Ferrari test track practising for next week's Monaco Grand Prix, Mr Montezemolo noted that there was no correlation between Ferrari's performance on the racing circuit and its commercial sales.

"If anything, when Ferrari loses we tend to sell more cars. But the F1 activities adds fuel to the Ferrari legend and myth and that is good for sales."

Seagram plans bid next week

By Alice Rawsthorn

Seagram hopes to present an outline $10bn cash-and-shares offer for PolyGram, the Dutch entertainment group, to a board meeting of Philips, PolyGram's parent company, on Tuesday.

The Canadian group, advised by Morgan Stanley, is gambling that a speedy offer will stave off the threat of counter-bids from US investment consortia that have declared interest in PolyGram. However, its bid could face regulatory problems in the US and Europe.

Seagram plans to add PolyGram, the world's largest record company with 17 per cent of the $40bn global market, to its Universal Music subsidiary, which has a 6 per cent share. The proposed merger might trigger investigations by competition authorities in the US and Europe.

The most problematic regulatory area would be the US, where the Federal Trade Commission blocked a 1984 attempt to merge PolyGram with Time Warner's music subsidiary. It argued the merger would have been anti-competitive, because the companies would have a combined market share of 26 per cent.

PolyGram and Universal had an only slightly lower combined US market share of 23.7 per cent in 1996, according to MTI, the research consultancy.

The FTC said yesterday it was too soon to comment on the regulatory implications of Seagram's interest in PolyGram. However, the deal would automatically be scrutinised, because it would involve the acquisition of over $15m-worth of assets.

It would also be assessed by the European Commission, which scrutinises any merger in which the companies have combined global turnover of at least Ecus 5bn and each has an EU turnover of more than Ecu250m.

Universal and PolyGram fulfil both criteria. However, Universal has such a low share of the European music market that it is unlikely the Commission would consider the merger anti-competitive.

Seagram is understood to be confident the merger would be cleared in both the US and Europe. But if Seagram's offer was put on hold during months of investigation, PolyGram would find it difficult to sign new acts for its record labels and to clinch film production and acquisition deals.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	THURSDAY MAY 14 1998								WEDNESDAY MAY 13 1998						DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (72)	292.06	-0.8	183.71	171.34	188.78	214.11	-0.6	3.68	293.76	184.88	172.64	189.33	215.40	343.87	180.26	231.52
Austria (23)	239.97	-0.6	218.16	203.38	221.81	221.89	-0.6	1.48	241.44	219.07	204.57	223.15	223.02	342.41	181.80	192.42
Belgium (29)	338.21	-0.2	307.47	286.80	312.81	308.10	-0.2	2.36	338.88	307.48	287.11	313.19	308.59	338.86	234.33	248.20
Brazil (26)	234.48	-0.3	213.17	198.70	216.73	495.00	-0.3	1.99	235.20	213.41	199.28	217.39	496.71	322.44	184.94	249.18
Canada (120)	243.86	-0.7	221.78	206.74	225.50	255.85	-0.4	1.57	245.76	222.99	208.23	227.15	258.78	348.78	199.10	199.43
Denmark (34)	498.26	-1.4	451.16	420.52	458.86	457.10	-1.5	1.32	503.58	456.90	426.68	465.42	463.85	521.81	375.32	381.09
Finland (28)	442.27	-0.9	402.06	374.79	408.80	501.46	-0.9	1.82	446.50	405.13	378.31	412.88	506.26	451.12	287.45	268.52
France (79)	319.78	0.0	290.69	270.98	295.55	299.09	0.1	1.97	319.68	290.04	270.85	295.45	298.88	319.93	213.42	230.82
Germany (56)	289.67	-0.2	263.35	245.47	267.75	267.75	-0.2	1.23	290.19	263.30	245.87	268.21	268.21	290.93	204.89	211.04
Greece (37)	280.92	0.3	255.39	238.05	258.68	619.52	0.1	1.49	280.01	254.07	237.25	258.80	618.84	298.79	264.68	–
Hong Kong, China (86)	289.58	1.2	263.25	245.38	267.65	288.00	1.2	5.02	286.05	259.54	242.36	264.38	284.55	580.03	282.93	499.86
Indonesia (27)	30.31	-0.6	27.55	25.68	28.01	311.87	0.3	3.33	30.49	27.66	25.83	28.18	311.36	254.90	27.87	233.76
Ireland (16)	542.34	-1.7	492.96	459.49	501.19	539.58	-1.6	1.80	551.86	500.54	467.41	509.87	548.82	560.44	339.88	346.73
Italy (54)	166.01	-0.7	150.92	140.67	153.44	217.31	-0.7	1.29	167.11	151.62	141.59	154.45	218.76	177.15	86.98	81.15
Japan (480)	84.12	0.2	85.56	79.78	86.89	79.78	0.2	0.89	83.92	85.22	79.58	86.61	79.58	141.12	58.52	150.20
Malaysia (107)	183.03	4.5	148.21	138.15	150.69	237.18	1.7	2.92	156.07	141.61	132.24	144.25	233.24	541.84	113.56	521.94
Mexico (29)	1574.14	-0.1	1431.08	1335.94	1454.98	14833.48	-0.3	1.53	1575.53	1429.54	1334.92	1456.16	14870.12	1801.88	1389.83	1400.22
Netherlands (19)	511.10	-0.7	464.65	433.11	472.41	467.33	-0.8	1.98	514.45	466.78	435.89	475.48	470.38	521.96	368.99	372.95
New Zealand (14)	69.34	0.2	63.04	58.78	64.09	68.95	0.5	4.74	69.18	62.77	58.61	63.94	68.61	98.47	68.18	57.61
Norway (38)	342.29	-0.3	311.18	290.06	316.38	346.20	-0.4	1.61	343.41	311.59	290.97	317.40	347.68	374.64	281.62	302.95
Philippines (22)	91.19	-1.4	82.90	77.28	84.29	179.61	-1.5	1.16	92.53	83.96	78.40	85.52	182.38	173.10	57.54	161.98
Portugal (18)	276.99	-0.7	251.82	234.72	256.02	245.34	-0.7	1.09	278.93	253.09	236.34	257.80	247.79	299.39	276.99	–
Singapore (42)	177.98	-1.8	161.80	150.82	164.51	135.89	-1.8	2.21	180.96	164.19	153.32	167.25	138.14	401.75	144.01	400.79
South Africa (43)	314.27	-1.0	285.70	266.31	290.48	349.26	-0.9	2.57	317.43	288.01	268.95	293.38	352.55	364.24	227.66	362.30
Spain (31)	376.08	0.9	341.90	318.89	347.61	430.21	0.9	1.78	372.85	338.33	315.94	344.64	426.52	396.69	236.28	248.45
Sweden (49)	594.77	-0.7	540.71	504.01	549.75	677.51	-0.5	1.73	598.71	543.24	507.28	553.36	681.03	612.15	439.98	449.46
Switzerland (30)	405.13	-0.5	368.31	343.31	374.46	371.77	-0.3	1.09	407.07	369.35	344.90	376.23	373.00	410.80	285.85	288.03
Thailand (39)	22.86	1.6	20.78	19.37	21.13	34.38	0.9	6.18	22.51	20.42	19.07	20.81	34.07	69.09	13.10	82.41
United Kingdom (206)	382.16	-0.5	347.43	323.85	353.23	347.43	-0.3	2.83	384.22	348.62	325.54	355.12	348.62	401.84	293.10	303.16
USA (635)	458.52	-0.1	416.83	388.86	424.06	458.52	-0.1	1.41	458.99	414.84	387.20	422.37	458.99	462.18	335.79	338.19
Americas (810)	413.05	-0.1	375.51	350.03	381.79	349.07	-0.1	1.42	413.69	375.27	350.44	382.27	349.48	418.95	307.37	309.07
Europe (748)	357.51	-0.4	325.02	302.95	330.44	337.94	-0.3	1.99	358.91	325.65	304.10	331.73	338.95	363.50	258.75	262.55
Nordic (149)	522.23	-0.8	474.77	442.54	482.70	523.23	-0.7	1.69	526.46	477.67	446.06	486.58	527.05	538.56	386.48	387.25
Pacific Basin (869)	102.36	0.2	93.06	86.74	94.61	87.40	0.2	1.70	102.11	92.64	86.51	94.37	87.29	158.99	95.32	148.41
Euro-Pacific (1617)	208.71	-0.2	189.75	176.87	192.92	181.87	-0.1	1.91	209.16	189.77	177.21	193.31	182.14	216.04	172.03	196.02
North America (755)	442.97	-0.1	402.71	375.38	409.44	443.05	-0.1	1.41	443.56	402.45	376.01	409.95	443.53	448.61	327.60	329.85
Europe Ex. UK (540)	333.34	-0.3	303.05	282.48	308.17	323.00	-0.3	1.57	334.41	303.42	283.34	309.08	323.90	338.80	230.16	235.00
Pacific Ex. Japan (389)	179.80	0.4	163.46	152.37	166.19	184.04	0.3	4.27	179.06	162.47	151.72	165.50	183.55	310.98	101.31	305.09
World Ex. US (1635)	212.50	-0.2	193.18	180.07	196.41	189.20	-0.2	1.90	213.02	193.28	180.49	196.88	189.53	220.16	175.30	199.08
World Ex. UK (2262)	282.52	-0.1	256.85	239.41	261.14	258.30	-0.1	1.61	282.89	256.67	239.69	261.46	258.59	287.02	234.24	237.58
World Ex. Japan (1980)	388.82	-0.2	353.48	329.49	359.39	382.40	-0.2	1.72	389.65	353.55	330.14	360.14	383.08	394.39	300.22	301.20
The World Index (2470)	290.99	-0.2	264.54	246.58	268.96	268.36	-0.1	1.64	291.49	264.48	246.97	269.41	268.73	296.57	241.30	243.15

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FTSE GOLD MINES INDEX

	Alby 14	% chg on day	May 13	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1235.88	+4.1	1284.30	1581.33	1.88	–	1890.48	891.23
Regional Indices								
Africa (14)	1323.16	-0.6	1333.71	1861.26	4.07	29.36	1861.26	921.76
Australasia (7)	1387.23	-0.7	1396.91	1823.74	2.42	19.84	1823.74	[illegible]
North America (11)	1184.14	+0.8	1175.74	1475.95	1.05	45.79	1574.15	864.86

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Belgium & Luxembourg
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Tuesday June 2: Luxembourg
Tuesday November 3: Belgium
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COMPANIES FT MARKETS
Weekend May 16/May 17 1998

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MANUFACTURING WORLDWIDE

France and EU agree rescue terms for Crédit Lyonnais

Government must reduce stake in bank to less than 10 per cent

By Andrew Jack in Paris and Samer Iskandar in Brussels

The French government and the European Commission have agreed the terms of a new rescue plan for the long troubled French bank Crédit Lyonnais, clearing the way for approval of the largest state aid package ever submitted to Brussels.

The deal, which still requires the formal vote of the Commission next Wednesday, would force the French state to cut its stake in the bank *from 82 per cent, held directly* and indirectly, to less than 10 per cent by October next year, ending a period of public control which began in 1945. Crédit Lyonnais will also be required to more than double the FFr310bn ($51bn) in asset disposals to which it had agreed under the terms of a previous rescue plan in 1995. The new sales are expected to include that of its Belgian subsidiary before the end of this year.

In exchange, the Commission, the European Union's Brussels-based executive arm, is set to approve the rescue package. The plan has triggered criticism of competitive distortions from its banking rivals, and officials estimate it *may ultimately cost the* French taxpayer FFr120-145bn.

Commission officials were confident yesterday that the plan would be approved. "A lot of assets will have to be sold in a very short time," said one. He added that a detailed list of disposals, which would remain confidential, would be submitted shortly.

Brussels had threatened to veto a new rescue, and details were only finalised on Thursday evening following discussions between Karel Van Miert, EU competition commissioner and Dominique Strauss-Kahn, the French economics, finance and industry minister.

The French government persuaded Brussels to back down from its original demand that all of Crédit Lyonnais' European assets outside France should be sold. The bank will be able to retain its London, Luxembourg and Swiss operations. However, it will be obliged to sell off other European assets worth FFr629bn, and a further FFr64bn in Asia and North America. Strategic businesses such as those in Japan and Singapore are believed to have been protected from disposal.

In addition, Crédit Lyonnais will be required to continue to reduce the number of its branches in France. Other domestic assets worth FFr27bn will also be sold.

The way in which the bank will be privatised has also been left open, leaving the French government free to allow several different shareholders to take stakes if it chooses, rather than launch a trade sale to a single buyer as Brussels had preferred.

Unilever pension fund drops MAM

By Jane Martinson in Brighton and William Lewis in New York

Mercury Asset Management, the UK's largest fund manager now owned by Merrill Lynch, the US investment bank, has been dismissed by the pension fund of Unilever, the consumer group.

The move, to be announced next week, follows recent poor performance by MAM in managing the £1bn ($1.7bn) Unilever fund. It will be a blow to MAM, which also looks likely *to lose about £600m from two* other large clients.

Unilever appointed MAM 11 years ago and is one of MAM's highest profile clients. Competitors are likely to use the dismissal to exploit concerns in the UK market about changes at MAM following its takeover *earlier this year by Merrill* Lynch.

Rival investment fund managers said the underperformance last year of some of MAM's funds and the resulting loss of business brought into question the success of Merrill Lynch's £3.1bn takeover.

Investment performance at MAM has traditionally been volatile, *with wide differences* between the results achieved by different fund managers at the company. Last year it moved to address this issue by reorganising the Select team that manages the large pension fund clients.

MAM said last night: "We *have a quite respectable per*formance for Unilever over the 11 years. There was a short-term performance issue over 18 months to the end of March. Had Unilever stayed with us since the end of March the performance would have been quite good as it has picked up quite positively over the past two months."

Unilever is understood to be considering legal action against MAM for a 10 per cent underperformance against its benchmark last year. However, Unilever said yesterday: "No legal action has been taken, nor is any pending." Wendy Mayall, Unilever's head of *investments, refused to com*ment: Merrill Lynch also declined to comment.

Unilever is one of three large MAM clients understood to be unhappy with last year's investment underperformance.

MAM is also set to lose £300m from the £1.5bn it manages for the pension fund of J. Sainsbury, the UK retail group, and has already lost £300m from a fund managed for the pension fund of Zeneca, the pharmaceuticals company.

Blow to VW as New Beetles recalled

By Haig Simonian, Motor Industry Correspondent

Volkswagen's aura of near-invincibility was pierced yesterday after Europe's biggest carmaker said it was recalling all the 10,100 New Beetles built so far.

The recall, not uncommon for a new model, will come as a blow to VW's pride after a *delirious public reception for* the new model, which went on sale in the US and Canada in March.

Waiting lists for the New Beetle, a modern version of the *famous post-war Beetle*, have greatly lengthened after rave press reviews. Apart from its eye-catching design that recalls the 1960s, the New Beetle is also extremely competitively priced at $15,200, excluding delivery, in the US.

VW executives have said the model should lift US sales to 180,000 units this year from 138,000 in 1997.

VW said the recall was to correct potential chafing of wiring in the engine bay. The recall affects all 8,500 cars sold in the US and the 1,600 sold in Canada.

The New Beetle, based on the engineering structure of the latest-generation Golf hatchback, is not due to go on sale in Europe until later this year and high demand in the US has led to speculation the European launch may be postponed.

The company said the chafing could lead to stalling, malfunctions in the air conditioning and fuel pump or even fires in the engine compartment. However, VW said it knew of only three air-*conditioning compressors that* had malfunctioned.

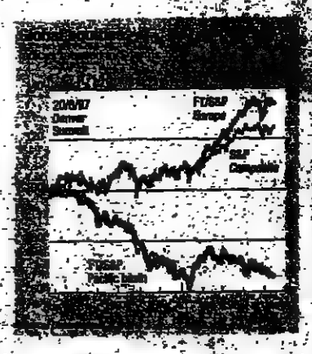
The New Beetle is built at VW's big Puebla plant in Mexico, expanded and modernised at a cost of about $1bn since 1995.

VW's US subsidiary said it was not aware the chafing had caused any accidents or injuries. The problem had arisen *as a result of possible friction* between wiring and the battery tray, it said. A redesigned tray would be installed and the wires rerouted in the recall.

THE LEX COLUMN

Sombre seven

When the Group of Seven grandees gathered in Denver last June, the world seemed a *safe place*. The devaluation of the Thai baht, which started Asia's financial crisis, was still two weeks away. US triumphalism was almost forgiveable. For most investors, it was also prelude to a happy period that has seen falling bond yields and rising share-prices. The S&P 500 is up 24 per cent while European shares have risen 37 per cent, in dollars. The unhappy exception, of course, is Asia, including Japan: down 34 per cent.



The mood at this weekend's Birmingham conference promises to be altogether more sombre. Turmoil in Indonesia and India's nuclear bombshell have been sobering reminders of the political risks, while the economic outlook in the largest countries – *Japan, China and Korea* – is troubling.

What are investors to make of this? The good performance of the Philippines is evidence against regional contagion. On the other hand, havens such as Hong Kong and Singapore have suffered. They are almost certainly victims of their own liquidity – regional fund managers needing to raise funds sell where they can. Still, it shows how hazardous it can be trying to separate the good from the bad.

Can the G7 do anything to avoid Asia's mishaps being repeated? One critical area is working out how to discourage unhedged foreign currency borrowings. When done on a large scale, they create unacceptable systemic risks. If the G7 makes progress in this area, the trip to Birmingham will not have been in vain.

Northern Rock

While thousands of individuals are still smarting over Northern Rock's cuts in their savings rates, consumers in general should be grateful. The episode should lead to a tightening of the wishy-washy voluntary banking code, ensuring that customers are better informed. Alongside bad publicity, culminating in investigation by the Office of Fair Trading, *bank and building society customers* ought to have woken up to sleights of hand regarding their income.

That this is bad news for Northern Rock, and its investors, goes without saying. It has damaged its business, although, ironically, improved communications with customers are partly to blame. Others should get their houses in order on obsolete accounts as quickly as possible to avoid delivering unpleasant surprises to too many customers at once when the code is tightened.

But the ripples from this episode should be of more general concern to sector investors. At a relatively trivial level, increased *communication* has an administrative cost. More seriously, better informed customers will shop around.

It is impossible to say how much money banks make out of customer inertia, but it must be more difficult to "manage margins" upwards when customers are vigilant. Furthermore, the bad odour hanging around Northern Rock could add to the general perception that the mutual building societies are more customer friendly than their quoted counterparts. What better incentive for banks to improve their customer service?

Allied Carpets

So did everyone buy their fluffy carpets last year while wallets were stuffed with demutualisation windfalls? Well, no actually. What made yesterday's profits warning from *Allied Carpets so depressing* – the shares fell 34 per cent – was that like-for-like consumer durable comparisons had been expected to be favourable. Last spring's run-up to a general election and forebodings about a change of government actually led to many big ticket purchases *being postponed*.

What then explains the profits warnings this spring from the likes of DFS, Carpetright, MFI and now Allied Carpets? Clearly certain macro-economic factors have contributed to the retail sector's trailing the overall market by 10 per cent this year. Interest rates are low by historical standards, but five increases have pushed up mortgage payments, squeezed disposable income and dented consumer confidence. The strong pound, meanwhile, has encouraged people to favour foreign holidays over kitchen units, while a hard-hit manufacturing sector has trimmed overtime working.

But company specific factors must have also exacerbated matters; after all, the likes of Kingfisher and Dixons have hardly been poleaxed by the economy. DFS's heavy use of interest-free credit for Allied Carpets' brash expansion falling foul of sharply escalating rental costs are examples. Given that the sector remains a corate's egg, sticking to trusted managements seems the safest option. Marks and Spencer should underline the message when it reports on Tuesday.

Roscos

Whisper it softly, but rail regulation is starting to look less of a political football. Yesterday's report from the regulator on the rolling stock market came up with some eminently sensible ideas.

It acknowledges the market power of the three rolling stock leasing companies, or Roscos, and the need to put in place some rules over leasing contracts. Although the train companies are ordering new rolling stock, they remain overwhelmingly dependent on second-hand rolling stock, and still will be by the time most of their franchises come up for renewals.

Relations between Roscos and train companies are good now. But they could sour. The negotiating strength of the Roscos when the next round of franchising happens, and rival train bidders line up to secure leasing deals, could be abused. A potential problem looms, and it is a good idea to tackle it now.

Yesterday's good news is that the regulator wants to settle for a market-based code of conduct rather than impose new regulation from on high. A code of conduct, including, say, price-caps and hammered out by the industry, should deter anti-competitive behaviour. But it would also be flexible enough to reflect changes in the industry. Current leasing innovations, for instance, could be hampered by full-scale regulation, which yesterday's report lists as a last resort. The risk is that the politicians override these recommendations in next month's white paper on transport. They would be wrong to do so.

Companies in this issue

Airbus	2	Decaux	22	More Group	22
Allied Carpets	17, 22	Glaxo Wellcome	24	Northern Rock	17
Billiton	17	Ladbroke	17	Pfizer	2
Cable & Wireless	17	Lonrho	22	Sainsbury	24
Chrysalis	22	MAM	24	Singapore Airlines	2
Clear Channel Com	22	Mercury Asset Mgt	24	Unilever	24
Colt Telecom	17	Merrill Lynch	24	Volkswagen	24
Crédit Lyonnais	24	Microsoft	2, 7	WorldCom	22
				Zeneca	24

Markets Latest

FTSE 100	5917.8	(-30.7)
Yield	2.78	
FTSE Eurotop 300	1222.34	(-2.68)
FTSE All-Share	2806.48	(-0.43%)
Nikkei	16849.88	(-64.82)
New York lunchtime		
Dow Jones Ind Ave	9191.82	(-11.21)
S & P Composite	1115.89	(-0.28)
LONDON MONEY		
3-mo Interbank	7.5%	(same)
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US LUNCHTIME RATES		
Federal Funds:	5.75%	
3-m Treas Bills: Yld	5.165%	
Long Bond	102.5	
Yield	5.85%	
NORTH SEA OIL (Argus)		
Brent Dated	$14.60	(14.60)
GOLD		
New York ComexDec	$291.2	(290.0)
London	$290.45	(297.75)

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New York lunchtime:		
$	1.6866	
London:		
$	1.6864	(1.6807)
DM	2.9066	(2.8992)
FFr	9.7366	(9.7226)
SFr	2.4131	(2.4137)
Y	216.490	(218.012)
£ Index	103.2	(103.1)

DOLLAR

New York lunchtime:		
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FFr	5.80	
SFr	1.4375	
Y	134.350	
London:		
DM	1.7244	(1.7287)
FFr	5.832	(5.8072)
SFr	1.451	(1.451)
Y	134.08	(134.175)
$ Index	110.4	(110.2)
Tokyo close Y 133.80		

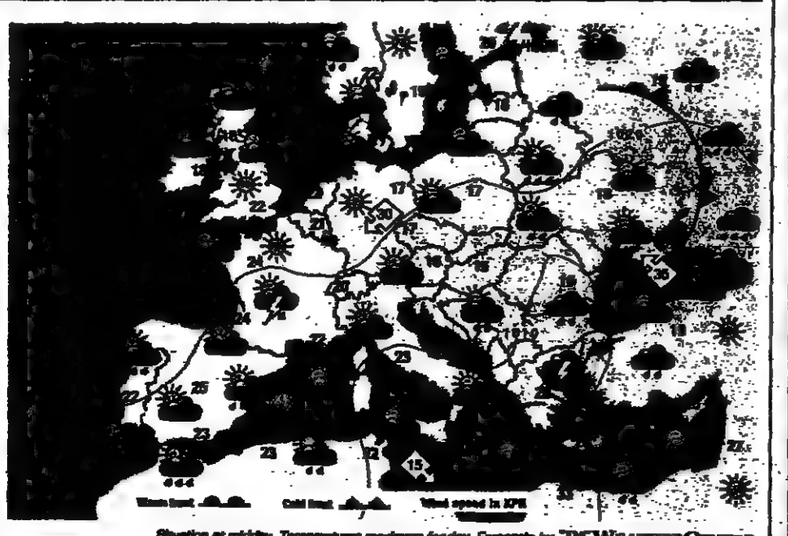
Weather

Europe today

Northern and western coasts of Norway will have light rain. Remaining parts of Scandinavia will be dry with sunny spells. The Low Countries, Germany, Austria, Switzerland and France will start foggy, otherwise it will be dry with sunshine. Heavy showers and thunderstorms may develop in central and southern France. There *will be sunny spells and showers in* the Mediterranean, some heavy and possibly thundery, especially towards coastal areas. The eastern Mediterranean will have rain, sometimes heavy, with thunder.

Five-day forecast

Northern Europe will be dry with *sunny spells in most parts although* there will be fog patches overnight. Northern Scandinavia will have a *little rain. Eastern Europe and the* Mediterranean will have thunderstorms in places. Iberia will be dry for a time before showers return.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Madrid Celsius		Barcelona	Shower	23
				Beijing	Fair	24
				Belfast	Fair	17
Abu Dhabi	Sun	38		Belgrade	Shower	17
Acora	Fair	32		Berlin	Fair	17
Algiers	Fair	28		Bermuda	Fair	26
Amsterdam	Sun	22		Bogota	Thunder	20
Athens	Thunder	30		Bombay	Sun	35
Atlanta	Sun	34		Brussels	Sun	21
B. Aires	Shower	15		Budapest	Shower	15
Bahrain	Fair	21		C.Hagen	Fair	17
Bangkok	Thunder	33		Cairo	Sun	30
				Caracas	Fair	33
				Cardiff	Fair	21
				Casablanca	Fair	21
				Chicago	Fair	27
				Cologne	Sun	21
				Dakar	Sun	25
				Dallas	Sun	31
				Delhi	Sun	40
				Dubai	Sun	38
				Dublin	Fair	18
				Dubrovnik	Fair	21
				Edinburgh	Fair	18
				Faro	Fair	23
				Frankfurt	Fair	21
				Geneva	Sun	21
				Gibraltar	Fair	24
				Glasgow	Fair	18
				Hamburg	Fair	18
				Helsinki	Fair	20
				Hong Kong	Shower	30
				Honolulu	Cloudy	30
				Istanbul	Shower	21
				Jakarta	Fair	32
				Jersey	Fair	18
				Johannesburg	Sun	17
				Karachi	Sun	37
				Kuwait	Sun	42
				L. Angeles	Fair	21
				Las Palmas	Fair	23
				Lima	Fair	23
				Lisbon	Fair	22
				London	Fair	22
				Lux.bourg	Sun	20
				Lyon	Fair	23
				Malaga	Fair	27
				Madrid	Fair	26
				Majorca	Fair	24
				Malta	Shower	26
				Manchester	Fair	21
				Manila	Thunder	35
				Melbourne	Cloudy	17
				Mexico City	Fair	22
				Miami	Fair	30
				Milan	Fair	24
				Montreal	Fair	24
				Moscow	Fair	20
				Munich	Fair	18
				Nairobi	Thunder	28
				Naples	Fair	24
				Nassau	Fair	30
				New York	Sun	29
				Nice	Fair	22
				Nicosia	Fair	25
				Oslo	Fair	22
				Paris	Fair	24
				Perth	Sun	30
				Prague	Fair	17
				Reykjavik	Rain	8
				Rio	Thunder	34
				Rome	Fair	23
				S. Frisco	Shower	15
				Seoul	Fair	25
				Singapore	Fair	33
				Stockholm	Fair	19
				Strasbourg	Sun	22
				Sydney	Rain	19
				Tangier	Fair	23
				Tel Aviv	Sun	27
				Tokyo	Rain	22
				Toronto	Shower	27
				Vancouver	Shower	15
				Venice	Sun	23
				Vienna	Fair	18
				Warsaw	Shower	17
				Washington	Fair	32
				Wellington	Fair	16
				Winnipeg	Shower	23
				Zurich	Sun	21

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FT WEEKEND
MAY 16 / MAY 17 1998

Persistent son

'He will never match his father's display in the gossip columns, but politics offers a different path to prominence'

Page III

Twist and go

'The industry is saying that if you can sit upright and open the throttle, you can drive a scooter'

Page XI

Grave thoughts

'If you put a stethoscope to one of those gravestones you could listen in on a buzz of conversation going on down there'

Page XXIV

Spymasters no more

Mossad, Israel's legendary espionage agency, has suffered a series of embarrassments. Judy Dempsey assesses why

At 2am on February 19, two cars drove up to a grey-painted apartment building in a suburb of Bern, the Swiss capital. Five people got out and two were posted as lock-outs. The others went to work. They found what they wanted in a storeroom – the junction box for the building's telephone system.

This was a top secret mission. The agents draped a dark cloth over the glass door to keep the light from attracting attention. But, as they tampered with the equipment, the operatives were so clumsy, so unprofessional that a first-floor resident was woken by the racket. She called the police, who, handily, were on duty at the station just 500 metres down the road. The "intruders", with their electronic equipment, were caught cold, though one, fooling nobody, feigned a heart attack.

Bad plot for a B-grade film? A rejected storyline from *Mission Impossible?* The "intruders" were agents of Mossad, Israel's revered secret service, and they were spying in a friendly country.

"You can't imagine the incompetence," said a senior western diplomat. "Mossad should have known there is a policeman in every Swiss."

Six months earlier, another set of Mossad agents were caught in the Jordanian capital, Amman, in equally embarrassing circumstances. Khaled Meshal, a prominent member of Hamas, the Islamic resistance movement, was entering his office when an operative struck him on the ear – it was an attempt to inject a slow-acting poison. Meshal's chauffeur used a newspaper to hit the assailant, who fled in a waiting car.

The agents didn't know they were being pursued, so they abandoned their car after 300 metres, allowing Meshal's bodyguard and a plainclothes policeman to overpower them. Their story was that they were Canadian citizens and they had the passports to prove it. "If these guys are Canadian then we are Japanese," quipped a Canadian diplomat.

What was Mossad doing, trying to assassinate Meshal in broad daylight, and in Jordan, one of Israel's most loyal Arab allies, and using passports from another friendly country, Canada? How could Benjamin Netanyahu, Israel's prime minister, sanction such a misconceived operation?

The basic rules in any intelligence agency are the same. Do what you have to do, but don't get caught. Over the past nine months, Mossad has done little right.

Maybe it was just accident-prone. Maybe it was not evaluating its intelligence. Whatever the reason, foreign intelligence watchers said it was hard to understand precisely why Mossad had lost its way.

"Mossad tells us we never hear about the successes. That's true. But what about the failures that show real amateurism and errors of judgment?" said another diplomat.

Some former Mossad agents believe part of the agency is still living in the days when Israel believed the world was against it – "which meant we could do whatever and wherever we wanted," said E, a former agent. "We know it's different now. Agencies from friendly nations co-operate much more with each other. The point is Mossad is in transition. It needs a sense of direction."

Like the stalled peace process with the Palestinians, Mossad is in limbo, not sure of the strategic interests its political masters want to pursue. "It's clear the planning for Meshal's assassination should have been stopped in the early stages," said A, who describes himself as a reservist Mossad agent. "It is not in our interests to destabilise Jordan's King Hussein."

Netanyahu did not consider any postponement. Obsessed with terrorism and the need for Israel to continue to act against those who seek to harm Jews, "wherever they may be", he sanctioned Meshal's assassination.

"A conceptual fixation afflicted Mossad's planning," concluded the government commission set up to investigate the botched operation. "The possibility of failure . . . was hardly addressed." Mossad believed it was infallible.

Diplomats say the agency, and indeed MI, Military Intelligence, and Shin Bet, the internal general security services, have, in recent months, been torn between maintaining their professional integrity and bowing to pressure from an aggressive government.

Last month, for example, during a weekly cabinet meeting, Ami Ayalon, head of Shin Bet, told ministers how Yassir Arafat, Palestinian Authority president, was cracking down on terrorism. Limor Livnat, communications minister, dismissed such an assessment, at which point Ayalon hit back: "Don't expect me to report to the ministers what you want to hear."

□ □ □

In 1948 when the State of Israel was established, the strategic goals of intelligence gathering were more clear-cut. The cold war divided the world into ideological camps. But, for Israel, it was more complicated. It was a country born out of the need to survive and to prove itself.

"In those years," said E, "the world was against us." E explained how Israel was like East Germany. "Both of us were pariah states. Both of us had much to prove. Our survival was at stake. We set our own rules."

The rules were dictated by the necessity to defend the fledgling Jewish state. "We were surrounded by hostile Arab states whose only aim was to destroy us," said E.

"It strengthened our resolve to form intelligence services which would foil attacks on our new state. It was an era of great recklessness. We were accountable to very few. The media, unlike now, was censored."

Washington and European capitals were ambiguous towards the new Jewish state. And they were also sceptical about Mossad, founded in 1949 initially to monitor and foil attempts by Arab neighbours to acquire weapons which could be used against Israel.

> 'If you bring me a MiG-21, you will have done a good day's work.' Mossad took up the challenge

But Mossad had two big advantages over other intelligence agencies. It was driven by a Zionist zeal to consolidate the new state. And it had a marvellous reservoir of talent. "People were our main asset," said G, a former agent.

The "people" were part of the great Zionist "ingathering" of hundreds of thousands of Jewish immigrants from Iraq, Iran, Russia, Morocco, and from all the countries of Europe. With them came dialects and languages, different cultures and knowledge of how to behave in the countries of their birth. No intelligence agency outside Israel could boast such a reservoir of talent. But was it any good at intelligence gathering?

The US would soon find out. In February 1956 when Nikita Khrushchev, the former Soviet leader, delivered behind closed doors his devastating speech indicting Stalinism and the purges, Washington was desperate to get a copy.

But how? Israel obliged – helped by Victor Grief sky, a young Israeli journalist in Warsaw, in bed it turned out, with a communist from whom he managed to obtain a copy of the speech.

He passed it on to Israeli diplomats in Warsaw who dutifully sent the material to their masters in Tel Aviv. The CIA paid $1m on delivery. It was welcome cash for a country trying to buy weapons. And, for Mossad, it won international respect from its peers.

With the plethora of linguists and people on the ground, Mossad pulled off another coup. In 1963, Ezer Weizman, now Israeli president, then commander of the Israeli Air Force, wanted to know what kind of military equipment the Soviet Union was supplying to its Arab comrades. Israel had to know in order to defend itself.

"If you bring me a MiG-21, you will have done a good day's work," said Weizman, half in jest, half serious.

Mossad took up the challenge. On August 16 1966, after three years of planning, an Iraqi MiG-21, the most advanced fighter supplied by the Soviet Union to the Arab states, landed at an airbase in northern Israel. To pull off such a coup required the efforts of an Egyptian-Armenian Mossad agent and a (Catholic) Iraqi air force pilot. It was a complex operation which again impressed the CIA.

Other successes fuelled the Mossad myth of daring invincibility. Among the most notable were the capture in May 1960 of Adolf Eichmann, the Nazi war criminal, the June 1976 raid on Entebbe airport, when Mossad rescued 106 Jewish hostages held by the radical Popular Front for the Liberation of Palestine, and "Operation Moses", the airlifting of thousands of Ethiopian Jews to Israel between 1981 and 1984.

But next to such successes were terrible lapses of judgment.

"Sometimes we did not evaluate information," said E. "We could gather it, recruit agents, monitor our enemies, carry out operations. But the question was how good were we at evaluating intelligence?"

That was put to the test in 1973. Even though a military build-up was taking place in Egypt, Mossad and the other intelligence agencies were convinced an attack on Israel was "highly improbable".

Maybe it was a sense of overblown confidence after the Six Day War, when Israel captured east Jerusalem and the West Bank. Maybe it was competition between the intelligence services. In any case, on October 6, at 1.55pm, on Yom Kippur, when Israel – and all its reservists – observed one of Judaism's holiest holidays, the Egytian-Syrian attack began. It ended 11 days later. Israel and its intelligence agencies had taken a battering.

The Agranat Commission, set up to establish the reasons for the blunder, concluded there were insufficient checks and balances; not enough pluralism of opinion; reluctance among agency members to speak up; and the ignoring of differing opinions.

Over a quarter of a century later, the Yom Kippur war is still used to warn Mossad recruits against "kontzeptziya" – an *idée fixe*. The Mehdal, a Hebrew neologism for intelligence blunder used to describe the Yom Kippur war, is "the first thing we learn in intelligence", according to one young officer.

"If you want a reliable intelligence service, you can't allow 'yes men' who will tell ministers what they want to hear," said G, the former Mossad agent. "Agents must challenge their own assumptions. Mossad must tell the politicians about the trends indicating the possibilities of peace."

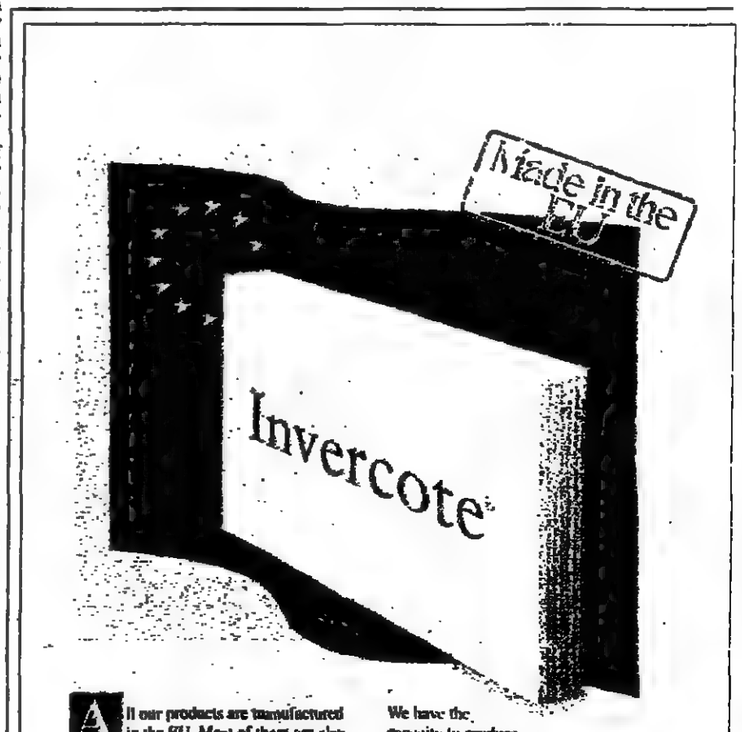
□ □ □

And so, after the recent blunders, in steps Ephraim Halevy, a British born, 63-year-old former ambassador to the European Union. One of his first meetings after his appointment as Mossad's chief a few weeks ago was with King Hussein of Jordan, still angry over the Meshal affair. Netanyahu's role in it, and the miserable state of the peace process in the Middle East.

Back in the 1970s, the late Yitzhak Rabin, assassinated in November 1995, appointed Halevy as a special liaison officer to King Hussein, and he helped negotiate the 1994 Israel-Jordan peace treaty.

It is a return to the fold for Halevy, who had joined Mossad in 1961, rising to deputy head before taking time out to be a diplomat. "Look, it will be good to have him back," said G. "He's a safe pair of hands. He knows the organisation inside out. He's bound to give it a sense of direction."

Other former agents say Halevy's appointment is important for another reason. Yes, he is known to be a tough negotiator, though he is sometimes aloof, but they say he has no political axes to grind, that he is a professional, and has a clear vision of the country's long-term strategic interests. "And I don't think those interests are on the streets of Amman or Bern," said G.



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Contents and columnists

Arts ..... VII, VIII
Arts Guide XXI
Books ..... V, VI
Bridge Chess Crossword II
Fashion X
Food & Drink XV
Gardening IX
How To Spend It ..... X, XI
Lunch with the FT III
Motoring IX
Perspectives ..... II-IV
Property ..... XVI-XVIII
Joe Rogaly III
Small Businesses II
Sport XX
Travel ..... XII-XIV
Truth of the Matter IV
Weekend Investor ..... XXII, XXIII

Joe Rogaly

Peace of mind

'We may have to turn away our efforts to seek redress from present-day Japan'

Page III

NEXT WEEK

Summer Arts

An 8-page guide

'Around the world in 80 performances'

With Weekend FT

PERSPECTIVES

Mellowed fruitfulness: Kate Sebag and Adam Brett based Tropical Wholefoods on a Ugandan idea and a very British gamble. Ashley Ashwood

Minding Your Own Business

Cut and dried out of Africa

David Spark discovers why sun-dried fruit has become a hot item in a cool Britain

I found Adam Brett under a packing machine in his new warehouse trying to ensure that Tropical Wholefoods kept up its deliveries of dried fruit from Africa and Guyana to 800 healthfood shops round the UK. If you run a small business, you probably have to struggle with the machinery, too.

Tropical Wholefoods is based on an idea and a gamble. The idea was that small farmers in Africa could produce high-quality dried fruit. The gamble was that British customers would like it so much that they would pay £2 for a packet of organically grown dried mango when, from a nearby shelf in the same shop, they could buy an equivalent amount of raisins for 50p.

Brett, now 33, took a deep breath when he asked Ugandan farmers what they would consider a worthwhile price to be paid to them and worked out what this implied for the retail price in Britain. Dried mango tends to be more expensive to harvest and prepare for drying because it is picked from trees rather than vines, and then the peel and stones get thrown away.

But Brett persuaded independent retailers to buy dried fruit as a snack, not for cooking. The premium price he pays for dried mango, banana and pineapple, enables Tropical Wholefoods to pay life-changing sums to African farmers. The company pays to African and Guyanese suppliers 55 per cent of its takings, leaving the rest to cover warehousing, packaging, distribution and overheads in Britain. As a result, says Brett, the farmers are tremendously loyal and diligent. "They know how valuable it is to have foreign export outlets.

"Each farmer has a quota. As long as they are producing to a high enough standard, we agree to buy what we bought in the past, or more if we can."

Brett points out that 55 per cent is similar to the percentage Tate & Lyle pays to overseas estates for sugar. He reckons that to make a profit on that basis he needs a minimum annual turnover of £400,000 – which he is achieving.

By profession, Brett, who was in the Footlights entertainment club when at Cambridge university, is a stage manager. However, he was born and brought up in Uganda and became involved with Ugandan fruit when his father gave him a job on a British aid project concerned with fruit processing.

In 1991 he joined consultants from Britain's Natural Resources Institute in a project to devise a fruit-drying system and train farmers to apply it.

Uganda had the sun and the surplus fruit. So why had similar fruit drying projects not got very far before? Past efforts, says Brett, tended to be run by scientists rather than business people.

"The emphasis had been on making the dryer as technically perfect as possible. There was little concentration on marketing or on training the local people. After the scientist ran a dryer beautifully for a few days, the people hadn't learnt how to maintain it and anyway, their product would have no market. So, around Africa, you find old disused drying projects, rather like the carcasses of elephants."

Brett decided it was a matter of scale. He devised a dryer able to cope with 25kg of mango or banana a week, rather than several tonnes. Essentially, this is a box which a local carpenter can make and is easily loaded. "It keeps insects off and it's chicken- and goat-proof," Brett explains.

"I went round finding farmers who would like to start drying. It was a complete surprise to them. Why should anyone want this shrivelled-up fruit?"

Initially, nobody did. British wholesalers had shown interest but they didn't want dried mango in 4kg bags. They wanted it in small packs. So, in 1992, Brett teamed up with the friend of a friend, Angello Ndyaguma, who had a small import-export business in Kampala and knew how to deal with officials and transport. They formed a company, Fruits of the Nile. Kate Sebag, who was working in Uganda for the agency Tools for Self Reliance, also became involved.

> Why, asked the Ugandan farmers, should anyone want this shrivelled-up fruit?

Between stage management jobs, Brett began testing the British market. He financed his journeys to Uganda by taking second-hand computers there and selling them. Back home, he stored dried fruit under the stairs and sold it loose from stalls in two London street markets. When this went well, he started pre-packing the fruit for sale.

In 1993, Brett and Sebag decided to go into business full-time, and her family has put in more than £70,000, which saw Tropical Wholefoods through the expensive growth stage. Brett says: "We're always having to buy next season's crop in advance. Because the business is growing so fast, the crop we buy is much larger than the one we're selling, and that gives us tremendous financial problems."

Wholefoods commonly has to wait two months for its money from sales. At the end of 1996, customers owed nearly £50,000.

In the year to March 31 1995, Tropical Wholefoods sold £61,000 worth of fruit and lost £23,000. The following year it sold £140,000-worth and lost £15,000. In the year to March 1997 it sold £262,000 and lost £7,700; it also needed to invest in shelving, weighing machines and computers for its new warehouse rented from Lambeth council.

But since then it has hit a series of the targets it set itself – earning around £35,000 a month from an increasing number of healthfood shops in Britain and mainland Europe, and from an organisation in Japan. Apart from Brett and Sebag, it employs one full-time member of staff and three packers. Two thousand packs of fruit are produced every day, some in pre-printed bags, which involves a £2,000 initial outlay per product but saves work on labelling. Some of the fruit is increasingly used in manufactured foods. For instance, Fulwell Mill Bakery in Sunderland, which employs disabled people, makes dried banana into a bar called Banana Fruitjack.

Tropical Wholefoods' sources of supply now extend well beyond Fruits of the Nile. It buys from farmers in Burkina Faso, through the Cercle des Secheurs (dryers' circle) founded by the Centre Ecologique Albert Schweitzer. The Commonwealth Science Council arranged for Brett and Ndyaguma to hold a workshop in Guyana.

As a result, the company now buys dried mango and starfruit from Tropical Organics, a local fairtrade company.

Angello comments from Uganda: "Most farmers engaged in fruit drying have managed to send their children to school and have acquired radios and black and white television sets. They never used to have these things."

Brett says the farmers range from some with only a single dryer to others with big farms. Keen dryers can earn 10-15 times the local average wage and some have given up civil service jobs to go into fruit drying.

Recently Sebag heard that women growing oyster mushrooms near Uganda's south-west border were having problems selling them; she offered to buy dried mushrooms, for which there is a market.

In January, Adam Brett and Kate Sebag won the World Vision award for development initiative in the annual business awards run by the charity Worldaware.

What of the future? "We hope we can expand our sales into continental Europe and into larger British shops over the next two or three years. We are starting to get in touch with some of them."

■ *Tropical Wholefoods, Unit 9, Hamilton Road Industrial Estate, West Norwood, London SE27 9SF; tel 0181-670 1114, fax 0181-670 1117.*

The Nature of Things

Plumbing the depths of space

Andrew Derrington boldly goes to the lab at the end of the universe

Most of us think of outer space in the same way that Europeans hundreds of years ago thought of the unexplored depths of Africa. It is unimaginably remote and empty, and will only become relevant to us when it has been opened up by exploration and trade.

Only when spaceships make it possible for astronauts – closely followed by astro-traders and astro-tourists – to leap across the void that separates us from other planets and other solar systems will the depths of space have any meaning for the person in the street.

Space may be empty, and even its emptiness can have commercial potential, but the rest of this image is wrong. It is conditioned by television programmes of hitch-hikers touring the galaxies and the *Starship Enterprise* boldly going where no man has gone before, to encounter, and to goggle at, exotic extra-terrestrial beings in much the same way that hundreds of years ago white Europeans were amazed by the peoples of "darkest" Africa.

Space might conceivably be a trading zone of the remote future or an intergalactic hitch-hiker's route to the restaurant at the end of the universe. But it is already relevant to our lives now.

Over the last hundred years or so it has become clear to scientists that it is an exotic, high-powered physics laboratory that exceeds the earthbound scientist's wildest dreams. It contains countless millions of examples of experiments too dangerous to carry out on a small and fragile planet like ours – explosions in this laboratory destroy stars bigger than our sun.

Long before man's first tentative leap into space, it was clear that to look at the heavens with a telescope is to peep through the window of the physics lab of the gods. The most dangerous experiments are taking place at the other end of the lab. Astrophysicists do not yet know what these experiments are but they are incredibly violent.

> We are only just beginning to learn how great these distances are

About once a day one of them releases a brief violent burst of high energy gamma radiation which can produce up to 50 times as much energy as our sun – itself a powerful nuclear fusion reactor – will in its entire lifetime.

Fortunately the violent bursts of radiation emitted by these events are spread out by the distance they have travelled so that only a minuscule fraction reaches the earth.

We are only just beginning to learn how great these distances are. Last week a team of scientists led by Shrinivas Kulkarni of California Institute of Technology announced that the source of one of these gamma ray bursts was more than 12bn light years away.

Closer to home, the manned space programme allows scientists to put a toe in the doorway of the celestial physics lab and to exploit the opportunities it provides.

One of the first things that they encounter – indeed it is the very reason that astronauts need to wear space suits – is the emptiness. In space there is no air to breathe and no air to contaminate industrial processes, such as growing high-quality crystals of materials such as gallium arsenide to produce new types of electronic devices.

> One of the first things encountered in space is the emptiness

In fact, it is not quite that simple. Although the air in the regions of space where the shuttle flies is not dense enough to breathe, it is not a complete vacuum. At sea level the air molecules are packed closely together, separated by gaps of about a millionth of a millimetre. Where the shuttle flies the gap between molecules is about 10,000 times greater: the air density is about a trillion times less.

This is a huge difference, but the best vacuum chambers on earth are better. They can raise the distance between air molecules to about a tenth of a millimetre. Not until we get way out into the distant reaches of the solar system can we do much better. The gas that "fills" our local galaxy, the milky way, has gaps of between one and and 10 centimetres between the atoms.

It would take decades to fly out to these regions and return, but the space shuttle carries a trick up its sleeve. The Wake Shield is a 4-tonne steel disc, nearly four metres in diameter and shaped like a flying saucer.

The shield flies free of the shuttle at nearly 30,000km an hour, creating a gap behind it where the air molecules are about 1mm apart. This is better than can be produced on earth and good enough to grow high-quality crystals.

But the best vacuum detected so far was spotted last year by the Hubble Space Telescope. It is millions of light years away and the atoms there are about 10 metres apart. You won't find a better vacuum this side of the end of the universe.

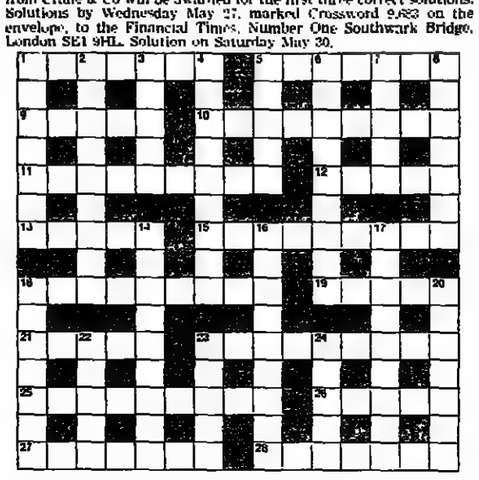
And if you go to the end of the universe to look for one you should not believe the *Hitch-hiker's Guide to the Galaxy*. There is no restaurant there, only a physics lab.

■ *The author is professor of psychology at the University of Nottingham*

CROSSWORD

No. 9,683 Set by DINMUTZ

The prize of a matching set of finely engraved personalised notepaper, envelopes and correspondence cards on Ecru Kid Finish Paper from Crane & Co will be awarded for the first three correct solutions. Solutions by Wednesday May 27, marked Crossword 9,683 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday May 30.



Name

Address

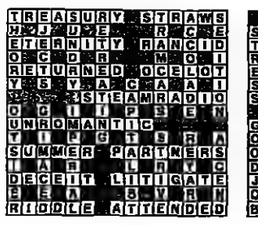
ACROSS

1 Time after time in battles (4-3)
6 Hit tennis-ball, stretching (7)
9 Figure, for example, on a motorway – reversing (5)
10 I toss glue about for people cracking up (9)
11 Strong paper of a Dickens novel (4,5)
12 End of budget – a lot of change – the full amount (5)
13 Defects, say, in glasses? (5)
15 Mysterious transference of Descartes' work (9)
18 Cast, moreover, to broadcast Much Ado? (3-3-3)
19 Pound of Heath Robinson pieces (5)
21 Bill Hill, for example, may have hard lines sometimes (5)
23 States things (9)
25 Local game target of river authority (9)
26 Girl in love has bad back . . . (5)
27 . . . yielding in long grass, weakened (7)
28 English leaving exiles in sanctuaries (7)

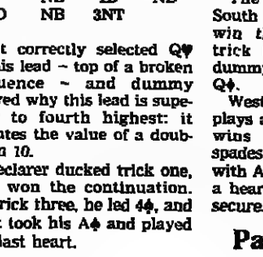
DOWN

1 Scrapes past windows (7)
2 Deep breath? (3-6)
3 Women warm up cereal (5)
4 With creaking joints in space over top room, we hear (9)
5 Reveals secrets of counts (5)
6 Place after dark for entertainment (5-4)
7 Ant, for example, not cold in place within (5)
8 North American quip delivered in twangy style (7)
14 Symbol, to Alice, of a terrible hard life? (6-3)
16 Earl ready to turn out as conductor of some services (3-6)
17 Provision for spectators by Uttoxeter racing officials (9)
18 Magpie finding it more difficult to hold ring? (7)
20 Hammers, we hear, who raise the game (7)
22 Novice left in mountainous country (5)
23 A room for trophy (5)
24 Potter's error at home and away (2-3)

Solution 9,683



Solution 9,671



WINNERS 9,671: Muriel Ackroyd, Laindon, Essex; Mrs M.I. Cowie, Luss, Dunbartonshire; A.D. Hoffmann, Littleton Panell, Wiltshire.

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BRIDGE

In the movie *Was It Good For You Too* the heroine was asked her measurements. "37-24-38," she replied, "but not necessarily in that order!"

Doubtless in the cinema, this got a great laugh but, in the real world, order is everything . . .

N
♠ K Q 8
♥ 10 5
♦ Q J 10 3
♣ A 9 8 3

W
♠ 6 2
♥ Q J 9 4 3
♦ K 8
♣ J 6 5 2

E
♠ A 9 5 3
♥ 8 7 6
♦ 9 7 4
♣ Q 10 4

S
♠ J 10 7 4
♥ A K 2
♦ A 6 5 2
♣ K 7

North	East	South	West
–	NB	1D	NB
3D	NB	3NT	

West correctly selected Q♥ as his lead – top of a broken sequence – and dummy proved why this lead is superior to fourth highest: it negates the value of a doubleton 10.

Declarer ducked trick one, and won the continuation. At trick three, he led 4♦, and East took his A♦ and played his last heart.

Declarer won but, when he tried the diamond finesse, it lost to West's K♦, and two more heart tricks set the contract. Declarer had done the right things, but in the wrong order.

If West holds both A♠ and K♦, the contract is unmakeable. If East holds K♦, the contract is unbeatable but, if the two key cards are split as they are, the order in which you dislodge them is vital.

Declarer should reason that West may well hold five hearts – if the hearts are 4-4, again, the contract is cold – and this places East with three hearts.

If West's key card is dislodged first, the heart suit can be cleared but, when East wins his key card, he will have no hearts left to lead.

The correct line is for South to duck the lead and win the continuation. At trick three, he crosses to dummy with A♣ and leads Q♦.

West wins with his K♦ and plays a third heart. Declarer wins and then plays on spades. When East appears with A♠, he is unable to lead a heart, and the contract is secure.

Paul Mendelson

CHESS

Offbeat openings can save the average player a great deal of work. After 1 e4 e5 the Vienna 2 Nc3 is a sound alternative to the routine 2 Nf3, while in the fashionable Sicilian 1 e4 c5 you can sidestep volumes of analysis by the quiet 2 c3 or the attacking 2 f4.

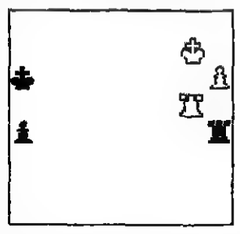
It's the same on the queen's side. Try varying from the routine Queen's Gambit 1 d4 d5 2 c4 by the rare Colle System 2 Nf3 e6 3 e3, worked out by a Belgian master who died young. The Colle aims to create the solid pawn centre c3, d4 and e3, get castled, and only then advance e3-e4.

Because the Colle looks slow, opponents often underrate White's ability to leap into attacking mode, as in this mini-classic by its founder (E Colle v V Buerger, Hastings 1928).

1 d4 Nf6 2 Nf3 e6 3 e3 d5 4 Bd3 Be7 5 Nbd2 0-0 6 0-0 Nbd7 7 e4 dxe4 8 Nxe4 Nxe4 9 Bxe4 Nf6 10 Bd3 c5 11 dxc5 Bxc5 12 Bg5 Be7 13 Qe2 White's obvious developing moves set a nasty trap: if now b6? 14 Bxf6 Bxf6 15 Qc4 wins.

Qc7 14 Rad1 Rd8? Badly weakening f7: he should play Bd7 and Rad8. **15 Ne5 Bd7 16 Bxh7+! Kxh7** If Nxh7 17 Bxe7 wins the exchange. **17 Bxf6 Bxf6 18 Qh5+ Kg8 19 Qxf7+ Resigns.** After Kh7 or Kh8 20 Rd3 and Rh3+ mates. The Colle is well worth a try in club or social chess.

No 1231



Fritz Bluemich v Siegbert Tarrasch, Breslau 1925. It was a hot day, they had already played for six hours, and the famous chess teacher and world title challenger (Black, to play) saw that his king was cut off from its pawn by the white rook on the fifth rank. Meanwhile, White's own passed pawn is sure to queen.

Tarrasch analysed **1...a3 2 Rg3 Ra4 3 h7 a2 4 Rg1 a1Q 5 Rxa1 Rxa1 6 h8Q** and, deciding that rook against queen was a lost cause, resigned in the diagram position. How could he have drawn?

Solution, Back Page

Leonard Barden

PERSPECTIVES

Joe Rogaly

Time to let the fields of conflict fade

To exorcise the demons of the second world war, we may have to stop seeking redress from present-day Japan

One day we will declare the second world war over. Not yet, I fear. Its worst images still flicker sporadically around us. In some corner of a not-yet-forgotten field inside our Atlantic brains many of us store the angry faces and harsh voices of erstwhile foes, Nazis and Nipponese, figures of horror, icons of inhumanity.

They may never be erased, but they are due to be faded back. The sooner the better. I do not place much value on the arrival of the year 2000, but at least when midnight strikes on December 31 1999 the great conflict will be moving towards last-century status. Perhaps when we are comfortably settled inside the 21st century we shall be able to exorcise our mid-20th century demons.

Meanwhile there is the little matter of the forthcoming Japanese imperial visit to Britain. Emperor Akihito and Empress Michiko arrive in London the week after next. The Emperor will be made a Knight of the Garter. This is a British honour bestowed on only two dozen people now living. It is in the gift of the Queen. Some of her subjects are not amused.

Neither, it is surmised, is the Duke of Edinburgh, her husband. He will be well aware of the royal motto attached to the honour to be conferred by his wife – *Honi soit qui mal y pense* – "shame on him who thinks evil of it". But it would be understandable if he did feel uneasy. Having served in the Royal Navy he saw for himself the condition of starved and tortured prisoners released from Japanese camps.

They are the ones who suffered, and they remain angry. Members of the Japanese Labour Camps Survivors' Association are reported to be planning to line the Mall, which leads to Buckingham Palace, during the Emperor's stay.

Survivors did that in 1971, the year of the last imperial visit, when more of them were alive. They insulted Emperor Hirohito with silence then and plan to dishonour his son by turning their backs now.

If Japan is to be thus made to feel unwelcome, why not Germany? There is no such equilibrium to our tale. Helmut Kohl was treated with great respect when he visited London in February. The chancellor was the first German head of government to be awarded the honorary freedom of the city.

A failed Conservative politician, whose name escapes me, grumbled sourly, but was reprimanded by his own leader. The occasion, including Mr Kohl's acceptance speech, was a glittering success.

The explanation is straightforward. We of the long memories clearly distinguish between Germany and Japan. This has always been the case, even during the 1939-45 war itself. Children in allied countries would ask one another whether it was better to be a prisoner of the Germans or the Japanese. Greater cruelty was invariably ascribed to the latter.

We then gleefully debated whether a fitting punishment for Hitler would be to place him in a barrel with inwards-pointing spikes and roll him down a hill.

It turned out that our childish insight into national military characteristics was correct. British prisoners of the Japanese returned home, if they survived, with harrowing accounts of inhumane treatment that were not matched by those who had been prisoners of the Third Reich.

But wait, it may be protested, the Holocaust, the systematic extermination of a people, was carried out by Germans, under a *Führer* who did not live to stand trial, let alone suffer retribution.

My mind flashes back to the late 1950s and a discussion with a Jewish architect, an escapee from Lithuania, whose family had been wiped out by the Nazis. Should I buy a Volkswagen as my first car? *He* could not, came the reply, but I, the next generation, could and maybe should. He was right. Postwar Germany has comprehensively disavowed its Nazi past, apologised to the Jews, paid large reparations.

Japan finds it difficult to make equivalent amends. It refers claims for compensation for ill-treatment of prisoners to the 1951 peace treaty, a legalistic approach which the survivors reject. There have been words resembling an apology from Japanese lips, but these have been slow in forthcoming and, to western ears, minimal.

The cultural divide may be unbridgeable. If we want peace of mind we have to focus on the new Japan, as we do on the new Germany. Over the past half-century each has successfully transformed itself into a benign democracy with a powerful economy. For all its present financial difficulties, post-1945 Japan astonishes the world. The country as a whole and many of its individual people are widely and justly admired.

We all have examples in mind. My favourite is an acquaintance, a Japanese intellectual, who is sometimes asked by patronising inquirers to account for his excellent spoken English. His reply is "perhaps it is my first-class degree in philosophy, politics and economics", naming the Oxford college that conferred the distinction.

If we are to banish the hobgoblins of the past, we may have to turn away from efforts to seek redress from present-day Japan. Anyhow, compensation for national atrocities is historically rare.

The evils of the Soviet regime under Stalin do not appear to linger in the Atlantic psyche. Russia and the other successor nations are still trying to salvage themselves from the wreckage. We try to help.

So, away dark spirits of '39 to '45. It is time to close the book and confront the year '00.

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Lunch with the FT

The son of the father of invention

AP

Steve Forbes will never match his father Malcolm for flamboyance, says **Richard Lambert**. But he could be a contender, a US presidential contender

There are a dozen Russian imperial Easter eggs, along with scores of other ornate *objets d'art* created in the Fabergé workshops. There are thousands of toy soldiers, arranged in full battle formation. There are antique toy boats and a collection of letters from US presidents. Malcolm Forbes, the magazine publisher who died in 1990, made a business out of being larger than life, and his legacy is scattered all over the lobby of the Forbes Building in lower Manhattan.

With his ballooning exploits, motorcycles, and glamorous parties (Morocco 1989 – the $2m birthday bash with belly dancers, Berber horsemen, guests arriving on a chartered Concorde, and Forbes in a clan kilt), he was a fantasy figure for readers and advertisers. Forbes magazine was the capitalist tool, and its owner showed in his own life what treasures a good capitalist could accumulate.

It is difficult to imagine Steve, his eldest son and the current editor-in-chief, performing party tricks in the company of belly dancers. He appears quietly at my elbow and leads the way up to his private dining room. He is soft-spoken and diffident, with a fixed smile, a stiff way of walking, and not much in the way of small talk.

But there are two unusual features about this courteous 50-year-old. He is extremely rich. And he wants – very badly – to shape the debate in US politics, almost certainly by running as Republican candidate for president in the next elections in 2000.

What's more, he is, along with only a handful of others, a serious contender. For instance, Rupert Murdoch says – admittedly with a hint of disbelief – that he may be the man to go for next time round.

"If you don't push, it doesn't happen," says Forbes mildly.

He ran before, in 1996, and did better than expected in the Republican primaries. Still, he is remembered by most people, if at all, as an amiable geek with a single idea – the urgent need for America to switch to a flat tax system. He spent upwards of $30m of his own money on that campaign, without any noticeable impact on the size of his wallet, and although he says he has yet to make up his mind about running in 2000, he is certainly laying the groundwork.

As we sat down for lunch, he said he had just been in the office for three consecutive days – the longest stint in a year. The rest of the time, he had been on the road.

What on earth was all this about? Forbes said he had seen a political vacuum in 1995 which was still there today. "None of the candidates seemed truly to appreciate where the US is right now. We are in an absolutely unique position, and we need to make some fundamental changes to take full advantage of the opportunities."

But instead of the creative dynamism which policymakers had shown in the late 1940s and early 1950s, all you saw was drift, he said. It wasn't that you couldn't drive through big ideas if you were persistent enough – Reagan had shown that. But political leaders in Washington were not pushing for change.

Some of it was to do with Bill Clinton, and his uncanny ability to adopt the other side's rhetoric while still pursing his old-style Democratic agenda. But the Republicans themselves were also to blame. "Part of the problem with the GOP on Capitol Hill is that they still haven't recovered from losing the budget showdown in 1995, and from the beating they took from the unions over Medicare in 1996."

By now, Forbes was becoming animated. We chomped our way through lunch: high-class corporate, unmemorable but elegant, served by a butler, a woman, who was much the most stylish person in the room.

"The American public is ready for change, and the Republicans should be striving after it, pressing new ideas on to the national agenda, exposing the gap between Clinton's rhetoric and the views of most of his own party."

But there was a disconnect. "The Republican leadership feels that if we just don't get people upset, we'll make gains for historic reasons and from the president's troubles, and then, yes, we'll do good things after 2000."

Forbes has founded his own advocacy organisation, called Americans for Hope, Growth and Opportunity, which, he said, had 120,000 paying members and was spinning out a whole web of ideas, ranging from school choice to car insurance reform.

"What we are trying to do is what Marxists used to call agitprop. Working out in the fields, making things happen, building up support for change." This discrete corner of the Forbes building seemed a long way from the rigours of the stump. Among the paintings, I noticed a Hopper landscape to die for. Wasn't the business of campaigning unbelievably awful, especially for a private sort of person?

Forbes said he liked the give and take which took place in the early stages of the contest, when the stakes were small enough to have a real interaction with the audience. But once you broke through to the national level, things became a lot tougher.

The national press started to turn you over – and he seemed to think this was fair enough. In a parliamentary system, everyone knew the strengths and weaknesses of a candidate well in advance. But in the US, voters had to get to know the candidates as the campaign unfolded. "They want to see how you react to what may be unfair probing and criticism. Can you stand the heat?"

So Forbes was ready to put himself up for public examination. I began to feel uneasy for this rather sweet man who faced such bruising times.

But, by all accounts, he is busy developing a public performance which is a long way from this thoughtful private discussion. There are reports of him turning on a kind of fiery populism which has secured standing ovations among the Christian right around the country: not what you would expect from a Princeton boy who in 1996 appeared to have little interest in anything outside the less amusing parts of the tax code.

Over lunch, he was ready to offer the rather conventional views of a conservative Republican on just about every issue under the sun, from the International Monetary Fund – which was offering the wrong prescription – all the way through to social security, which had to be privatised.

> Lunch was served by a butler, a woman, who was much the most stylish person in the room

Wasn't he just playing to the galleries, especially when it came to moral issues such as abortion, on which he had been noticeably silent last time round? Forbes went into a rather complicated and evidently well rehearsed explanation of his views, which he said had been absolutely consistent throughout. It was no good simply saying you were against abortion, you had to wait until the moment was right and then come up with a set of practical proposals for change. That was what he was now doing.

One thought that had been on my mind was that Forbes was just a less flamboyant version of Richard Branson, or for that matter, father Malcolm – spending money on his own interests in a way that also promoted his business brand. Forbes was quick to dismiss this notion. One of the things he and his brothers had considered when he was contemplating his run last time was what the downside might be for the business. For instance, could his particular brand of politics alienate advertising buyers?

In the end, it had turned out to do no harm. "But believe me, if you want to promote something, there are less difficult ways to do it than a political campaign. Believe me!"

It was time to move into amateur psychiatrist mode. What on earth could it have been like growing up with a father like Malcolm? Mustn't it have been an incredibly daunting experience?

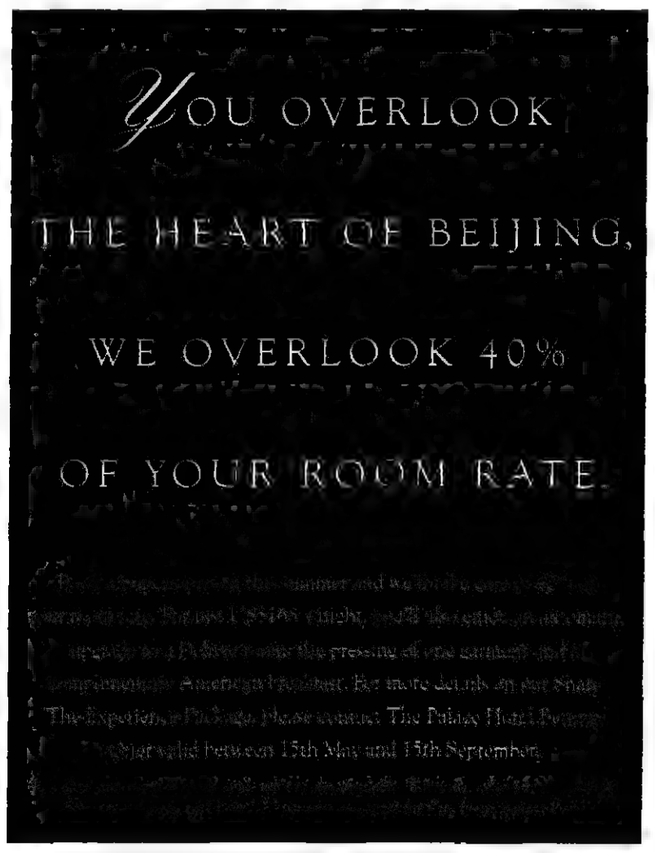
"He was very good. When we were growing up he was a strong disciplinarian. Mother was the one you went to for mercy. But he knew when to let go, even when you did things that discomfited him."

And, said Forbes, he always encouraged his sons to pursue their own interests, even if he couldn't fathom them. "He taught you that if you were persistent enough and hit him over the head enough and marshalled your arguments enough, he would step aside."

It occurred to me that the word "persistent" had cropped up rather a lot in this conversation, and that it was a quality which Forbes greatly admired. He is, by the standards of America today, an improbable candidate for political leadership. But he certainly is persistent.

And although he will never match his father's display in the gossip or the business columns, politics offers a different path to prominence.

As we walked out blinking into the New York sunshine, he said he was now on his way to carry the argument to Texas and Oklahoma. "The way things are going," he said, "I think I could almost pay for the campaign out of air miles." And off he went.



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PERSPECTIVES

Truth of the Matter

The impetus that will not die

Even the atheist searches for sense in the spiritual, says **Christian Tyler**

Religion is being privatised. And in a borderless, polycultural world, the name for that non-material dimension of human desire has been changed to "spirituality".

Spirituality is a conveniently neutral, non-specific word which has been substituted because religion is in retreat in the civilised world – or so many people believe. But the story of secularisation is far more erratic and complicated than that, as a new collection of essays shows*.

It is true that church attendance and the temporal influence of the clergy have been in decline for a long time in the west, and that democracy has driven out theocracy, even in Moslem countries.

It is true, too, that where once religion explained nature, legitimised authority and bound people together (as Anthony Russell, Bishop of Dorchester, writes), science now does most of the explaining, the ballot box justifies government, and football provides the social cohesion. Meanwhile, the psychotherapist is in many places supplanting the priest in trying to give people meaning to their lives.

Religious worship itself has been secularised, a trend followed with particular enthusiasm by the Anglicans who turn churches into community centres, coffee shops or concert halls. Church leaders of all denominations have been forced to adopt the role of political lobbyists.

In other words, religion is increasingly treated as a matter between a person and his conscience. No wonder traditionalists of every denomination are in revolt, and that a conservative Pope insistently warns his flock against the sin of relativism.

Yet for all that, the religious impetus refuses to go away. Religious feeling remains a fact of life, a force for good or evil – whether it is the Middle East or the Balkans – which diplomats and other peacemakers have been compelled to recognise.

Whether that impetus is somehow inscribed in the human genetic blueprint, such as Chomsky's linguistic grammar, or provides some kind of evolutionary advantage, or is the divine spark implanted by God, it is an inextricable part of most countries' history and culture.

What is more, it appears to be on the rise again. For secularism has not run upwards in a straight line from the Enlightenment. It is cyclical: a historian of English Christianity, Adrian Hastings, has identified peaks of enthusiasm in the 10th, 13th, 17th and 19th centuries.

Church attendance in England has stabilised. Roman Catholicism flourishes in Africa, Protestant evangelists are busy in Brazil and were having a field day in post-Soviet Russia until the Orthodox Church complained to the president. The rise of Islamic fundamentalism, in particular, since the 1970s, needs no elaboration.

Meanwhile researchers at King's College, London, have identified more than 500 new religious movements, some with quaint or dangerous millenarian expectations. Eastern schools of enlightenment have flourished in the west, the Age of Aquarius and other esoteric systems have crowded Christian theology from the bookshops, and there are said to be more astrologers in France than clergy.

All this seems evidence of "a hunger for spirituality," as one essayist puts it. Some of it may be vicarious, like the tabloid newspapers' relentless pursuit of wayward clerics. Much of it may be due to a fear that public morality cannot long survive the disappearance indoors of the Judaeo-Christian precepts on which it is based. Whatever the reason, there is a mood even in intellectual circles, where religious faith was once considered a form of stupidity ("the opium of the masses"), to take religion more seriously.

The writer John Mortimer describes himself as a member of the "Atheists for Christ" brigade. The threat of damnation never did much to reduce the crime rate, he says. Yet atheists, too, need to believe in something more lofty and satisfying than soulless materialism.

The word "spirituality" is a cop-out, of course. But it can be useful. Secularism allows atheists such as Mortimer to reassert that transcendent element of human nature which is found in art, poetry and music. (You do not have to be a Lutheran to play the music of Bach, or a Roman Catholic to perform Messiaen.) It allows them to provide an account of humanity and a purpose for human life which science, being ethically sterile, cannot provide.

On the other side of the fence, secularism allows believers to question their ideas about God. Here, the writers ask: Can God be considered a parental figure? Is he always benevolent? Is he omnipotent? Or is he (as the Manichaean heretics used to say) engaged in a perpetual struggle with an equally potent force for evil, with humanity playing the part of the soldiers on the battlefield? Is he, after all, any more than the objectified emanation of needy humanity?

Religion, like any other social phenomenon, mutates. It is this recognition which gives moderates of all denominations more in common with each other than they can possibly have with zealots of their own stripe.

* *Two Cheers For Secularism, ed. Sidney Brichto and Richard Harries; Pilkington Press, Yelverton Manor, Northants NN6 6LF, £14.95*

In memory of a Grand Old Man and days gone by

Penelope Gladstone realises why her very great-grandfather mattered

I grew up owning just one souvenir of William Ewart Gladstone – four times prime minister between 1868 and 1894. It is something I preferred to keep quiet about – a piece of pinewood that happens to be an offcut from his coffin.

A hundred years ago – my great-grandfather's funeral took place in Westminster Abbey on May 28 1898 – a coffin would have been made by the local undertaker. My father, then a nine-year old son of the rector, probably joined in the excitement of the village and went to see it being made and was handed the sliver of wood.

I also own a set of three Staffordshire figures: Gladstone standing under a Union flag to the right; Charles Stewart Parnell, the champion of Home Rule for Ireland, dressed as an ancient Greek to the left; and the Angel of Peace with arms outstretched standing between them. In his old age, Gladstone campaigned for Home Rule amid constant setbacks, such as Parnell running off with his mistress, Kitty O'Shea, to Italy.

When I was a small girl, I thought the only Mr Gladstone was my father, and clearly remember when I was made to realise another Mr Gladstone lurked in the past, someone I somehow realised I was never to meet. We were out in the garden by the yew hedge: my brother, Peter, aged about four, me even smaller, and a visitor who had been put out in the garden with us. He seemed tall and distant to me and asked us if Gladstone was our great-grandfather.

Peter then behaved very oddly. He said: "Great, great, great," and kept on repeating the word dancing round in a circle. "I think he was your great-grandfather corrected the adult. "Oh no," was the emphatic reply. "He was ver-r-r-ry great!"

Even as children his descendants did their best to be loyal to Mr Gladstone – everyone called him Mr Gladstone. In particular I admired my cousin Felicity, who studied Victorian history for School Cert, and answering a question on Disraeli managed to finish with: "Mr Disraeli was very great, but Mr Gladstone was greater still."

I guess the stories I know about Gladstone are not about "greatness" in the political sense. In his final years, two inventions had changed the pace of life. Bicycles were everywhere. And a telephone had recently been installed in his house with two direct lines, one to his daughter, Mary Drew, who lived locally. It seems Gladstone did not take to the telephone in his late 80s, but Mrs Gladstone, often confused, would telephone Mary each morning to ask what she should give her husband for breakfast, and Mary would make a helpful suggestion. This would solve the problems of how the egg should be prepared and ensure that the telephone had been used for that day.

Memories were quoted by one of his grandchildren, Dossie Parish, who talked of being taken to the House of Commons as a very small girl, and peeping through the iron grille of the Ladies Gallery and watching "Grandpa doing his 'nastics," by which she meant he flung his arms around.

Gladstone urged everyone in his family – he had eight children – to do their own packing, which is sensible advice even today. A young man arrived for an invitation and apologised for not being on time. "You've got all the time there is," was the reply.

Until the funeral on the Saturday morning the coffin lay in Westminster Hall for two days; by the time the door opened at six each morning, several hundred people were waiting. The family had decided that the funeral should be "conducted with every simplicity" with no flowers, and just morning dress rather than full mourning attire.

Those walking in the procession had assembled in Palace Yard, among whom the four children, the grandsons, stood out. As half past ten struck, the family carriage carrying the coffin drawn by two bays and led by two coachmen came into view. All the men in the crowd removed their hats, then a most unusual sight, as they watched the very slow procession pass by.

The pall-bearers met the coffin and carried it into the Abbey. They were, on the right side, Lord Rendal, the Duke of Rutland, Arthur Balfour, the Marquess of Salisbury, and the Prince of Wales (later Edward VII); and on the left side, Lord Armistead, the Earl of Rosebery, Sir William Harcourt, the Earl of Kimberly, and the Duke of York (later George V). So it was that Gladstone had two future kings as his pall-bearers.

As long as Queen Victoria had been on the throne, Gladstone had been in the House of Commons and she had come to dislike some of his policies, which struck her as being too progressive. But it seems that she recalled the long talks she had with Mr and Mrs Gladstone after Prince Albert had died.

Here is the telegram Queen Victoria sent Mrs Gladstone from Balmoral:

"My thoughts are much with you today when your dear husband is laid to rest. Today's ceremony will be most trying and painful for you, but it will be at the same time, gratifying to you to see the respect and regret evinced by the nation for the memory of one whose character and intellectual abilities marked him as one of the most distinguished statesmen of my reign. I shall ever gratefully remember his devotion and zeal in all that concerned my personal welfare and that of my family."

No longer a nation worth dying for

The Cossacks as fearless warriors? Just another myth that shows how much Russia is misunderstood, argues **Anatol Lieven**

On Russia's windswept steppes, the Cossacks ride again," read the headline, as the western press recently lauded the "fearsome Cossack". It is the hype of an instantly recognised celluloid character, a matinée hero, half-sinister and half-romantic. The Cossacks are a classic example of how a stereotype of Russia persists in the face of overwhelming evidence to the contrary.

For if the Cossacks are indeed Russia's sword, in Chechnya it proved to be made not of steel, but of wet cardboard. Their members showed no desire whatsoever to fight, and there was certainly no flood of militant volunteers to their ranks. And this was true even though the result of the war was to confirm Chechen possession of certain areas which were, for several centuries, inhabited by Cossacks.

By December 1995, when I met Yuri Galkhin, ataman of the Russian Cossacks in Chechnya, for the last time in the ruined city of Grozny, he was a broken man. Eight months before a Chechen victory which, in effect, ended the war, he was already trying to leave. This was despite the fact that he and the other ethnic Russians were supposedly under the protection of tens of thousands of Russian troops, who outnumbered and vastly outgunned the Chechen forces facing them.

"How could the Cossacks help us?" Galkhin asked me. "They are scattered among a dozen different subjects of the federation, and they have no serious weapons." His contempt for the Cossack movement was unconcealed.

"All this talk of partitioning Chechnya, of a Cossack region here, is just talk by people sitting safely hundreds of miles away. I don't care if they call themselves Cossacks, they can call themselves whatever they like for all I care. I know what I call them ... The Chechens now, they are a strong people, physically and spiritually ..."

> If the Cossacks are Russia's sword, in Chechnya it proved to be made of wet cardboard

Galkhin, like most Russian civilians in Chechnya, also had nothing but contempt – wholly justified by the event – for the Russian army for its unwillingness to seek combat with the Chechens: "The soldiers just sit behind their concrete blocks, and if a Chechen takes a shot at them, they blaze away in all directions and kill anything that moves."

The failure of the Russian army and the Cossack movement in Chechnya illustrates the most important characteristic of Russia today: the desperate weakness both of the Russian state and of Russian society. Together, they make for a country which is radically different from any Russia that has existed in the past.

Russia more closely resembles a weak, oligarchical, heavily-criminalised Latin American country of the recent past than it does the Soviet Union or the Russia of the tsars, with which so many western commentators obsessively compare it.

At its simplest, the weakness of the Russian state means that it has been unable to raise the taxes to pay or supply its army properly, or to prevent corrupt bureaucrats and officers from stealing what resources are available. The result has been hungry, badly equipped, demoralised, literally suicidal soldiers and junior officers who despise the state for which they are asked to risk their lives.

As "Valery", an interior forces conscript told me in Chechnya: "The Chechens are fighting well because they're fighting to defend their homes ... and we're fighting because our commanders tell us to fight. And who are our commanders? Thieves who steal from us and then send us to die to cover up their own political mistakes."

The weakness of Russian society comes from 70 years of Communist rule, during which – especially of course under Lenin and Stalin – every autonomous, spontaneously generated social, cultural and political institution was remorselessly smashed, and society atomised.

The lack of real democratic control has allowed the plundering of Russia's resources by the new elites in what was dubbed "privatisation". This process had strong analogies to "land reform" in liberal states such as Mexico and Italy in the 19th century – enormous tracts of land were transferred to officials, businessmen and politicians with links to the liberal regimes. The mass of the population either did not benefit or actively suffered as a result.

However, the lack of true democracy and civil society in Russia, the apathy and cynicism of the mass of the population have also had one good effect: they have prevented mass mobilisation behind political causes – and after all, given the economic suffering and moral chaos in Russia today, there is no guarantee whatsoever that these causes would not have been chauvinist ones.

The failure of the Cossacks to mobilise large numbers of Russians – even in the most ethnically mixed and sensitive areas like the North Caucasus – behind paramilitary nationalism is a case in point. This has been a key part of the failure of Russia so far to take the Serbian path; that is, mobilising large numbers of people, in Russia itself, but much more important, in the Russian minorities outside Russia, to fight for a new, ethnically based Russian empire.

To its credit, the government of Boris Yeltsin has never adopted such a strategy – but as the failure of the Cossacks demonstrates, even if Moscow were to try to mobilise Russians behind such a policy, the apathy of the population would make it unlikely to succeed.

> Lack of real democratic control has allowed the plundering of Russia's resources by the new elites

As Chechnya demonstrated, when the Russian army failed, there was no mass movement of Russian nationalism – let alone of Russian volunteers – to insist that the government fight on to protect Russians in Chechnya and suppress Chechen separatism. Most Russians make no secret of their acute dislike for Chechens, but as opinion polls repeatedly demonstrated, the war against them never enjoyed wide popularity and, by 1996, a large majority of Russians wanted only to end the fighting.

As for the vast majority of young Russians, their abhorrence of military service, their utter unwillingness to go to fight for Russia in Chechnya or anywhere else, indeed their overwhelming indifference to Russian "national causes", should be blindingly apparent. The commander of an elite Russian military unit told me: "Who'd be a soldier if you could get a job in a bank?"

Modernisation and urbanisation mean that Russians have over the years been exposed to many of the same demilitarising influences as their equivalents in the west, albeit of a peculiar kind. This process was greatly assisted by the futile and bloody war in Afghanistan. Most of Russian society today is profoundly cynical, individualist and materialist and exactly the reverse of nationalist, let alone militarist.

But here lies the problem for western analysis. Too many senior western analysts of Russia, most of whom were "experts" in Soviet studies, do not know contemporary Russian youth at all. They have never spent time in a Russian discotheque or night club, and they have never talked to young Russians about their real beliefs and aspirations.

It is, perhaps, hardly fair to expect these elderly professors and retired generals to have to jig around to Russian pop music. It is fair to ask some of the professional Russophobes, given their absence from the contemporary Russian scene, whether they should be a little less categorical about asserting that a basically unchanging Russian nation has a permanent commitment to imperialism and conquest.

This stereotype of Russia is a virtual litany for many US commentators in particular. These views are a striking example of how, like the Cossacks, when a certain national stereotype has lasted long enough and taken sufficiently deep root, it can be almost impervious to evidence or rational argument.

As for the new Russian elites, it should be obvious that they have been obsessed with filling their own pockets at the expense of the Russian state, not with restoring it as a "great power".

There has certainly been no evidence of concern for the Russian armed forces in any of their actions. Under their rule, Russia has become a state for which no sane soldier would wish to die – certainly not to die without even being paid.

□ *Anatol Lieven's* Chechnya: Tombstone of Russian Power, *from which this article is condensed, is published by Yale University Press at £25*

BOOKS

The world on paper

Nigel Spivey on the extraordinarily beautiful legacy of a 17th century connoisseur

It was André Malraux who coined the notion of a "museum without walls". He did so in 1947, just as the development of offset colour reproduction techniques was making the fully-illustrated art book a popular purchase. Malraux's own publisher, Albert Skira of Switzerland, pioneered the generous use of colour in art books, and other firms were following fast: notably Phaidon and Thames and Hudson in Britain, and Harry Abrams in New York. Large print runs enabled these books to be priced at a level previously unthinkable. As Allen Lane's Penguins had brought literature within the sixpenny spending power of schoolchildren, so the likes of Phaidon released art history from the connoisseur's domain. For 12 shillings and sixpence anyone could possess a folio gallery of Cézanne, Botticelli, or Van Gogh. A museum in cloth binding is one way of putting it; or else it amounts to the domestication of high culture.

Hoarding the extraordinary – the beautiful, the curious, the rare – is the connoisseur's vocation, a human craving which has been democratically satisfied by mechanical processes of reproduction. But what was it like once upon a time – this urge to "domesticate" relics and *objets d'art*?

In late Renaissance and Baroque Italy curiosity was a social attribute. Aristocrats and senior clergy by definition collected the unusual fruits of nature and artistic dexterity. The peasant who ploughed up a fossil knew just where to take it, like a sort of cultural tithe. No baronial home was without some semblance of cabinet and pinacoteca. The diligent ducal curator compiled his own catalogue, complete with claims to possess a dragon's skull or unicorn's horn. The aspiration of every "noble and free intellect" was to gain admittance to the Accademia dei Lincei, or "Academy of the Lynx-eyed", founded at Rome in 1603. Academician Galileo may have been put under house arrest for revealing too much with his telescope: still, patrician virtue lay in the spirit of intellectual discovery.

It is in this context that the *commendatore* Cassiano dal Pozzo – elected one of the Lynx-eyed in 1622 – created his "Museo Cartaceo", or "Paper Museum".

Cassiano was not a vastly wealthy man, though he would commission over 40 paintings by Poussin. He rose to comfortable position on the shoulders of the Barberini family, whose Cardinal Maffeo became Pope Urban VIII in 1623. Ensconced in a small palazzo in Rome's Via dei Chiavari, Cassiano had no hope of assembling a massive collection of antiquities and natural history as such. But he did have the means – and imagination – to hoard vicariously. That is, he set up his own system of putting the world on paper. Whatever ranked as a contribution to the encyclopedia of knowledge and culture, Cassiano desired it represented and classified. It might be a newly-disinterred Roman sarcophagus; it might be some remarkable new mushroom or coral. Artists and draughtsmen were despatched to make the record. By the time of Cassiano's death in 1657 the resultant library of paintings and drawings was already acknowledged as formidable achievement in itself – quite apart from its practical value as an illustrated antiquarian and scientific "database".

Dal Pozzo heirs, crippled by debt, eventually broke up the assemblage. British buyers, led by Robert Adam and Sir John Soane, were prominent in its acquisition. It was no sign of madness that George III gathered up the most substantial part of the collection. Some dispersal around Europe and private collectors naturally occured: but thanks to "Mr King", most of the thousands of items in Dal Pozzo's Paper Museum are now at Windsor Castle. Now, with the support of the Getty Grant Program, the Monument Trust and the Royal Collection Trust, a full catalogue raisonné is at last under way.

Published by Harvey Miller and overseen by Francis Haskell and Jennifer Montagu, the first three volumes of this 30-part project have now appeared. The order is by subject, following a broad division into Series A – Antiquities and Architecture – and Series B – Natural History. With large colour plates and careful commentary, each volume supplements the drawings themselves with comparative material. In the case of the antiquities, this means reference to the original object – where it still exists (one merit of the Dal Pozzo project lies in the documentation of things subsequently damaged, lost or destroyed). With the specimens of geology, ornithology and so on, the accuracy of Cassiano's artists can be simply measured by comparison with photographs of similar types.

Some of the artists commissioned by Cassiano were celebrities of the 17th century, such as Pietro da Cortona. Others were anonymous hacks. Invariably, however, their handiwork seems accurate, aimed at faithfulness to the object of illustration rather than any imposition of personal interpretation. Why then do these "reproductions" in Cassiano's Paper Museum carry an aura that (say) a CD-Rom of the National Gallery lacks? Presumably because the intermediaries are all "artists", even when anonymous. This is not to deny any grace or artifice to photographic reproduction and electronic scanning. But the truth is that any pictorial reproduction of form, other than impressionistic, demands more than scrutiny of the model. Beyond study of the particulars, some grasp of a defining essence is also required. Once achieved, graphic depiction of that essence says more than a tumble of words. This is the underpinning and enduring value of Cassiano's noble enterprise, and good reason to greet its proper publication now.

Marsh scene with birds; 17th century drawing of ancient Roman mosaic in S. Maria in Trastevere, Rome. From Volume A 1 (Ancient Mosaics and Wallpaintings) of the Dal Pozzo catalogues, by Helen Whitehouse (Harvey Miller, £150)

On love and diversity

Richard Skinner reviews anthologies of poetry and prose

Anthologies are curious things. They require a certain kind of expertise to put together, they are notoriously hard to sell and they have very short life spans. Despite this, however, they are often extremely interesting and, in this age of compilation, relevant.

Anthologies come in two kinds. There is the "here and now" kind, whose chief interest is the newness of the work, a sneak preview of coming attractions, and the "there and then" kind, which comes after the fact, chooses with hindsight and then preserves for posterity.

New Writing 7 is an example of the former. In their introduction, Carmen Callil and Craig Raine tell us that their three guidelines were "diversity, diversity and diversity", which is exactly what we get. Short stories, extracts from novels, screenplays, poems, essays and an interview all jockey for position in this lively collection.

Julian Barnes and Jonathan Coe have short stories set in different times and places, 19th-century Russia and contemporary France respectively, but play with similar themes of thwarted love. Louis de Bernieres continues his magical adventures in Marquez-land with a story that is luscious as a mango.

More demanding is an elliptic and enigmatic story about loss and grief from Lucy Ellman, an impressively written tale of suburban exotica from Kirsty Seymour Ure and a wonderfully black piece from Michael Dibdin, whose recipe for "Lover Pie" urges readers to kill and cook ex-lovers and then eat them with a fine claret served "piping hot with a maraschino cherry".

Poets get a good spread too, with excellent contributions from Oliver Reynolds and Lachlan Mackinnon, as well as other work from the upcoming Ben Rice and the returning Wendy Cope. The only interview in the collection is with the poet Ian Hamilton, whose unfashionable but salient points about the state of contemporary attitudes towards poetry seem prophetic.

Richard Glyn Jones' anthology, *Love Is Strange*, is an example of the latter kind – none of the short stories here are new, all of them carefully chosen to help make up its broad spectrum of love and sex. The stories trawl through passion's slipstreams and backwaters, where more unorthodox fantasies are allowed to unfold away from mainstream.

The anthology's high-water mark is provided by Charles Bukowski and Georges Bataille. Bukowski's story, about two men who steal a corpse and commit necrophilia, is typically laconic and amoral, while Bataille's story is a bizarre, yet hypnotic tale of debauchery in a bar.

Milan Kundera, whose work has always had streaks of dark fantasy running through it, gives us a lucid and precise tale of sexual predacity gone awry. His young couple are driving through the countryside when they begin a game of pretence that they are strangers. As the journey progresses, so their true thoughts and feelings are revealed and used to crush their love for each other.

Perhaps the strongest story in the collection, and certainly the strangest, is Angela Carter's "The Loves of Lady Purple". Carter's prose is simply astonishingly dense and glittering, but always focused and deeply imaginative. Set among fairgrounds (one of Carter's favourite milieux), the story involves a puppet-master whose favourite marionette, Lady Purple, is a famous prostitute from the past. While mending her dresses one night, the puppet master kisses Lady Purple, who comes alive and, in a swoon of sexual energy, bites and kills her controller.

Perhaps the one undercurrent common to all these stories is the struggle for power. As Richard Glyn Jones points out in his introduction, these stories steer well clear of mere titillation – instead, love is many-coloured and sex is treated as another form of manipulation. As Jones says, "love and sex can be wistful, touching, wildly funny, downright weird, complex – above all, strange."

NEW WRITING 7
edited by Carmen Callil and Craig Raine
Vintage £7.99, 406 pages

LOVE IS STRANGE
edited by Richard Glyn Jones
Indigo £7.99, 308 pages

More bloodletting in the Balkans

Tony Barber explains how national myth-making and propaganda has fuelled hatred in Kosovo

Few regions of Europe are more desolate, dangerous and difficult to understand than the southern Balkans. Here is where we see the baleful effects of modern European nationalism, and nationalist myth-making, at their worst. Here is where poverty, official corruption, lawlessness, political immaturity and ethnic intolerance have scaled new heights every year since the fall of Communism in 1989. Only three years after the end of the Bosnian war, here is where Europe's next armed conflict is already breaking out.

The centre of this drama is the southern Serbian province of Kosovo, where ethnic Albanians outnumber Serbs by a factor of roughly nine to one. Serbian state repression of the Kosovar Albanians' aspirations to self-government has provoked a fierce backlash in the last two years.

Moderate Kosovars, who preached peaceful resistance to the Serbian authorities, have lost control of the situation. The pace of events is dictated by the increasingly well-armed, well-financed Kosovo Liberation Army, which stands for Kosovo's complete secession from Serbia. The Serb-dominated Yugoslav armed forces have spared little in their response. At least 150 people have been killed in Kosovo since January.

Beyond taking steps to ensure that the impending war does not engulf neighbouring Albania and Macedonia, let alone Greece and Turkey, western governments seem at a loss over what to do. In December 1992, just days before he retired from the US presidency, George Bush warned the Serbian leader, Slobodan Milošević, that a crackdown in Kosovo would draw a US military response. The crackdown is happening, but the response is not.

Noel Malcolm and Miranda Vickers have provided an excellent service to readers who wish to gain an insight into why bombs and bloodletting are once more scarring Kosovo's landscape. There are all too few books on Kosovo in the English language, and these fill the gap handsomely.

Vickers, in particular, makes a diligent effort to understand the Kosovo question from both the Serb and Albanian viewpoints. Each nationality thinks of the province as its ancestral heartland and cannot bear the idea of relinquishing it to the other.

Yet as Vickers points out, it is the ordinary Serbs and Albanians of Kosovo who have suffered most from the monstrous myths constructed around their history by nationalist propagandists since the mid-19th century.

Serbs in the comparatively swish capital of Belgrade tend to despise their brethren in dirt-poor Kosovo, calling them "half-black" and "Moslems". In the Serbian context, terms of vile abuse. As for the Kosovar Albanians, their tragedy becomes all too evident when one sees the corpses of people murdered by the Kosovo Liberation Army on the grounds that they collaborated with the Serb authorities.

Malcolm's book is more controversial. He insists that his purpose is not to propose any particular solution to the Kosovo crisis. Yet long sections of his book represent an attempt at shattering the Serbs' most fundamental assumptions about their national identity. In the process, he is implicitly building up a case for Kosovo's independence from Serbia.

Take Malcolm's account of the Ottoman victory over the Serbs at the battle of Kosovo Polje in 1389, and all that ensued in the next four centuries. The long-term consequence of the defeat was the destruction of the medieval Serbian state and the subjection of the Serbs to Ottoman overlordship until 1878.

For Serbs, the story of the battle is absolutely central to their self-image. Epic song cycles record that the nation sacrificed itself for Christendom at Kosovo Polje and was crucified. Three centuries later, in 1690, when thousands of Serbs fled Ottoman forces in Kosovo in what became known as the Great Migration, the nation is said to have died and been buried. In 1912, when Serbia finally realised its great 19th-century dream and annexed Kosovo, the nation experienced resurrection.

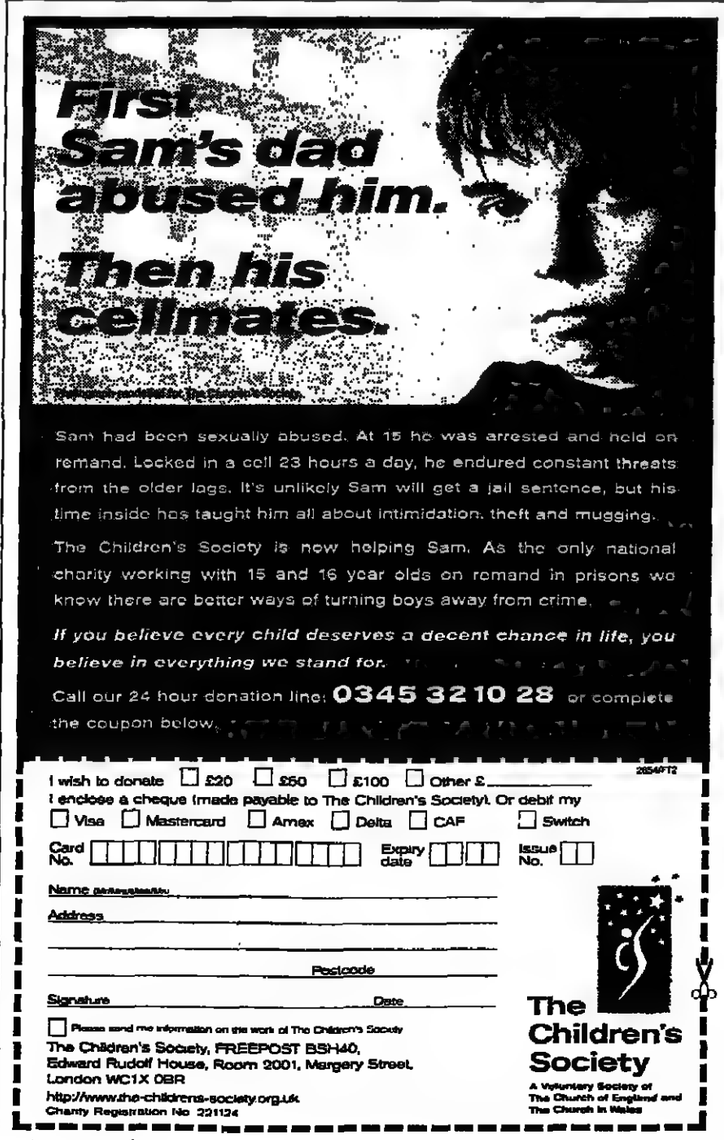
That this version of events is pure myth is hardly in dispute. Yet Malcolm wants to prove more than that. He wants to prove that, at Kosovo Polje, the killer of the Ottoman sultan Murat was not a Serb but a Hungarian knight. He wants to prove that the story of the Great Migration is mostly a pack of lies. In neither example does the source material conclusively support his argument.

In trying so hard to demolish the Serbian national myth, Malcolm comes close to falling into the trap against which he warns readers at the start, when he says, quite correctly, that quarrels about the distant past are no use for settling Kosovo's contemporary conflict.

In 1853, the Archbishop of Skopje wrote in despair of Kosovo that "these districts may be regarded as being in a state of permanent revolution and anarchy". Today the province is teetering on disaster. Malcolm and Vickers have done a fine job in explaining why war may now be unavoidable.

KOSOVO: A SHORT HISTORY
by Noel Malcolm
Macmillan £20, 492 pages

BETWEEN SERB AND ALBANIAN: A HISTORY OF KOSOVO
by Miranda Vickers
Hurst & Co £35, 328 pages



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BOOKS

'I feel a deep affiliation to Britain, but it's a double-edged sword': Caryl Phillips, editor of the new Faber Caribbean series

A kind of homecoming

Nicholas Wroe talks to novelist turned editor Caryl Phillips

Many people in Britain tend to think of the Caribbean as an English-speaking region with beaches, cricket and a few Rastafarians, explains the novelist, playwright and now editor Caryl Phillips. "But in reality it stretches from South America up to New Orleans, some would even say Miami, and as far west as Panama, Cost Rica and Guatemala".

While this may be an unremarkable statement of geographical fact, in cultural terms Phillips' comprehensive approach requires a radical redefinition of the region's cartography. "When I travelled round the whole Caribbean about 10 years ago I realised that – and this was after I'd written a couple of novels about it – my own notion of the Caribbean was pretty restricted and not a fair reflection of its complexity. I was actually struck by how similar it all was, particularly on the coasts. It was obvious that if you stripped the language away there was an incredible commonality to the culture, ethnically and economically, as well as similar landscape and flora and fauna".

As the 50th anniversary of the arrival in the UK of the first generation of West Indian immigrants on The Empire Windrush ship approaches, Phillips has been reflecting on his own, and his region's, history. Born in St Kitts in 1958, he moved to Yorkshire with his parents when only a few months old. He was the first pupil from his school to go to Oxford and from there he went on to write plays and then novels, including the Booker short-listed *Crossing The River* and, most recently, *The Nature of Blood*, in which he ambitiously took on both the holocaust and a re-write of *Othello*. Phillips now teaches contemporary fiction for part of the year at Columbia University in New York – "reading the theses is like spying on my friends" – spending the rest of his time in London when not lecturing or sitting on cultural committees. The opportunity to more accurately reflect the complexity of Caribbean writing has come along as part of the deal that brought him back to Faber for the publication of *The Nature of Blood*. He had long wanted to take on an editorial role and, with Faber's tradition of publishing Caribbean writers, it seemed natural for him to launch their Caribbean series.

This week the first four titles are published, to be followed by another two in the autumn and then at a rate of six a year. The initial batch comprises *The Fragrance of Guavas*, in which Gabriel Garcia Marquez talks to an old friend about his early life and what the Caribbean means to him; *Windward Heights* by Maryse Conde, a re-working of *Wuthering Heights* from the Guadeloupe writer and perhaps the leading female author in the Caribbean; Cuban Antonio Benitez-Rojo's collection of stories, *A View from the Mangrove*; and Wilson Harris's 1960 novel, *Palace of the Peacock*, which comes with a new introduction from the author.

"The history of the region as a literary zone has been short", Phillips concedes, "Until the 20th century people could only read literature from and about the local colonial power, and so it never was that mirror into which you looked to see your history. But common themes have since emerged across the languages. Things that have been written in French, Spanish, Dutch, have all served to thicken the stew. And so while you can't think along the vertical continuous line as can be done in Europe, with Cervantes to Shakespeare to Goethe etc, you can at least think along the horizontal plane. There are and have been some extraordinary individual writers, of course, but looking at it island by island or language by language, the literature is not particularly weighty. It is when you look at the literature as a whole that it does begin to acquire a certain weight".

While a vibrant Caribbean literary tradition has undoubtedly emerged, Phillips acknowledges that it is not currently being practised in the Caribbean. Most of the authors on his list – like himself – live overseas, "for the good practical reason that writers move to where there is a publishing industry that can support them and will value their work". Faber has made an effort to promote a wider based literary culture in publishing the Caribbean series at half price in the region, but in fact the sense of physical movement away, and the subsequent confusion as to where or what is "home", forms a restless and fascinating core to the writing itself. This week also sees the paperback publication of Phillips' anthology of writing on Britain by writers born overseas, *Extravagant Strangers*, which includes contributions from Orwell, Ballard, Lessing and Boyd. While Phillips has himself claimed to have no place that he calls home, the subject continues to exercise him.

"I feel a deep affiliation to Britain because that is the country that made me. But it's a double-edged sword in that the route that led me to being a writer was no cake-walk. I was the only black boy in my class in a place where they didn't even like people from Lancashire, so you can imagine what they thought of me. So while I feel an affiliation to Britain, I have never felt comfortable with thinking of it as home in that carpet-slippers-and-pipe way"

Intriguingly, the place where he feels the most potent sense of homecoming when returning is "the last 200 yards walk to Elland Road", the stadium of Leeds United Football Club. For anyone who recalls the spiteful atmosphere that infected the home of Leeds United in the 1960s and '70s, it is more than surprising that a black boy would feel comfortable there. "They've really cleaned up their act now", says Phillips. "But there was one time when I was there for a Leeds against Liverpool game, and people around me started singing 'I'd rather be a nigger than a scouse'. I thought then I may have to stop going there for a while, but questions of loyalty and fealty are odd. I first went to a Leeds game when I was five and that for me was England. It still has an atavistic pull for me".

Phillips returned to Leeds this week to deliver a lecture at the university on race relations then and now. "Things have obviously got much better", he says. But he was disgusted at the respectful tributes to the MP Enoch Powell, who died in February. Referring to Powell's notorious 1968 anti-immigration speech, Phillips says "what he said was absolutely disgraceful. It is to Britain's credit that he was proved wrong on every count. He misjudged the nation totally. And this attempt to rehabilitate him seems to forget that between 1968 and 1970 there were many racial murders which could be attributed to his rhetoric. It had a patrician gloss, but it was from the gutter and he made it okay for skinheads as well as middle-class people to be racist. Obviously he didn't want people to be killed, but he was clever enough to know he was appealing to the lowest common denominator. Mercifully Britain is now not the same place, and Powell was the last roll of the dice for that idea that you can only be a Briton if you are white. People who now cling to that notion must have a hell of a time seeing Paul Ince or Linford Christie leading their country".

And it is not only in the traditional area of sport that Phillips sees improvement. "One of the things that excites me about British literature is that it is truly multi-racial and multi-cultural. With the likes of Salman, Hanif and Ishiguro I see literature as more reflective of the Britain I see on the tube than is, say, the House of Commons or the average bank or university. I take pleasure when I'm on a British Council tour and it's people like us who are the representatives of British literature. It's still quietly subversive, but it also shows that Britain has moved so powerfully and abruptly towards something that makes much more sense that, for perhaps the first time in my life, I'm genuinely optimistic".

Lust for life

You might not think at first that there was much to learn from Paul Richardson's light and rather boppy travel book on Spain, *Our Lady of the Sewers*. For this is no historical analysis reflecting on Spain's highly visible past, the centuries of empire and decline, the Golden Age of art, the long dictatorship of General Franco and the latter-day emergence of a New Democracy and a New Spain. Nor is it a work of rural nostalgia, especially Andalusian, another well-established contemporary genre.

It belongs to a fresher type of book, which dwells on the idiosyncrasy and apparent contradictions of Spain, urban as well as rustic, hoping to find the quiddity of a peculiar nation. One such book is Gijs van Hensbergen's enthralling description of working in a restaurant in Segovia, *A Taste of Spain*. Another is Michael Jacobs' bleakly diverting *Between Hopes and Memories*; and a third was by Paul Richardson himself, five years ago, in his book on Ibiza, an attractively off-centre piece of writing.

Here is Richardson again, but this time a more ambitious Richardson, romping all over Spain. As before, the style is deflationary, young in tone. Men are often "guys", people "flake out" or "wimp out". Occasionally he uses really horrible clichés which can be irritating; but generally the down-beat directness is a pleasure. "The peasantier the people, the louder they talk", he says, unsentimentally, and at another point,

OUR LADY OF THE SEWERS
by Paul Richardson
Little, Brown £16.99, 242 pages

commenting on the effects of visionaries bleeding from the palms, he observes that here "we're talking stubborn stains".

So, off he goes in search of ancient customs, survivors, a sworn enemy of the pompous, open-minded about the modern. And more often than not, he achieves surprisingly deep penetration of Spanish society. In Galicia, he visits a natural healer with the fake complaint that he is so jealous of his girlfriend he may be about to do himself or others a damage. So kindly is he treated, with such old-fashioned, Christian compassion, that he sneaks away embarrassed. It is an excellent episode.

In Granada, he infiltrates the intriguing world of Spain's own modern Moslem converts. Others have tried and failed. He visits the Canaries and enjoys the wrestling, survival of pre-Hispanic times. In Murcia, he attends a *matanza* and watches the speedy conversion of slaughtered pig into all kinds of foodstuffs. He joins a *transhumancia*, where sheep are being shifted hundreds of miles on foot, and writes amusingly of the foul-mouthed shepherds.

It's all good fun and surprisingly revealing. But the core of the book, in the end, is the Spanish fiesta. In one of the best chapters, he manages to extract a great deal about the Basques, and the communality of their lives, during a rather gross seaport festival in which participants in a rowing boat grab a goose (a dead one only since 1975), and are then swung aloft on a rope while still holding on to the goose.

The climax of the book is a two-day village outing in a landscape bursting with wildflowers, complete with the eponymous image of the "Virgin of the Sewers" dancing, a great deal of drinking, a bit of hash and a minimum of sleep. It is here at the fiesta, as others have before him, that he seems to find the essence of it all, in "the Spanish lust for life, the fierce Spanish love of pleasure and feeling." Perhaps we could do with a little of this up north.

Adam Hopkins

Rereadings/Peter Hennessy

Politics brought to life

It is a quarter-of-a-century since I first read Henry Fairlie's *The Life of Politics* and, though I have often meant to, I have not picked it up since. What was it about the book which left me certain that it was worth a re-read? Three things.

First, Fairlie was a beautiful writer, who brought alive both political systems and those who people them. To absorb the volume once more was, therefore, a guaranteed pleasure. Next, I remembered it as the fond, lingering farewell of a commentator obliged by personal and financial considerations to forsake forever the rich, tradition-matured political loam he adored for the altogether cruder compost of American politics.

Finally, I recalled his gift for conversation with especially intriguing and multi-dimensional political figures such as Harold Macmillan and R.A. Butler. Fairlie caught them in their ripest and most reflective moods and infiltrated the accumulated riches of his notebooks into the text of a book he described as "the first instalment of a debt" to his country that "will never be repaid".

To him we owe "Rab's" line about "the patience of politics" which for Fairlie expressed "more vividly than any other single phrase, the character of politics in a free country." He also stimulated "Uncle Harold's" even better-known adage that, "if people want a sense of purpose, they should get it from their archbishops and not from their politicians."

So much for memory. What I found on re-reading his 250 or so pages (completed in 1967 and published in 1968 at a moment of deep national disillusion with Harold Wilson and his administration and of growing cynicism about British political institutions and practices), was an intriguing paradox from a refined thinker occupying the decent and tolerant centre right of British political thought.

For Fairlie positively celebrated the contribution of the working-class Labour movement (the real thing; not its accretion of middle-class intellectuals) to political life. As he put it, in less than a century they had shown themselves to be "a naturally accomplished governing class". Yet Fairlie felt stifled by what he called "the politics of agreement" that had overlain the British polity throughout his 20 years as a journalist. On this he took his cue from Churchill who had informed the US Congress in 1947 (at the height of the rows about nationalisation) that "four-fifths of each party in Britain agrees about four-fifths of the things that need to be done."

This cake of consensus (my phrase, not Fairlie's) he saw as the inevitable confection produced by a political condition in which the elector was to a government what the consumer was to a supermarket. (He was deeply disapproving of the never-had-it-so-good side of Macmillan.) Such political consumerism had called into being the politics of illiteracy and Fairlie mourned the premature death of Nye Bevan, whom he saw as the most literate figure of the postwar generation.

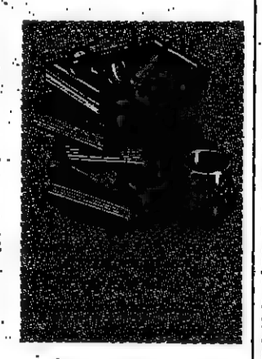
Was Fairlie, therefore, crying out for a consensus-busting figure who wielded words as weapons of destruction rather than instruments of persuasion – a Mrs Thatcher, in other words – and a shift to the politics of impatience? Not at all. He distrusted calls for both national governments and strong leaders.

For Fairlie was a believer in a two-party system, fuelled by adversarialism but moderated by fixers and reconcilers operating on and around the floor of the House of Commons. Not for him the then fashionable calls for a flight to the committee rooms which themselves led to the post-1979 system of departmentally-related select committees.

Parliament had to be the locus of British politics from which a prime minister persuaded the House and through which he led the country and in which he could be rendered accountable.

A legal, recognised, institutionalised Opposition (whose origins he traced to the high days of Charles James Fox) complete the ingredients of what he genuinely saw as the British politicalgenius.

Fairlie died, still in American exile, nearly 10 years ago – dashing, debonair and a man for both the ladies and the bottle. How I wish he were with us here and now to subject the focus groups, the spinners and their linguistic prefabrications – the fast-food politics of the late 1990s political hypermarket – to his elegant, romance-tinged disdain.



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FINANCIAL TIMES
No FT, no comment.

Modern morality tale

This impressive memoir is as humbling as it is hopeful, writes Susanna Rustin

Until she was five, Andrea Ashworth had a happy childhood. She lived with her parents and her little sister, Laurie, in a terraced house in Manchester. Then her father died in a tragic accident. Before a year had passed, her mother was expecting another baby. She remarried, and the fatherless girls had a "new daddy". As the title of Andrea Ashworth's autobiographical book reminds us, it was a fairy tale beginning: by the time he ripped up a book of fairy tales bought as a present by her grandmother, it was painfully clear that Andrea had acquired a wicked stepfather.

Throughout her childhood, Ashworth's home burned with the fear of violence. There was a real likelihood that someone, probably her mother, would be killed. The fights she describes were terrifying, but not so dreadful as the reconciliations. Worse was their effect upon the little girls. When Andrea comes home with her own black eye, acquired at school as if in sympathy with her mother, the shock is palpable.

Ashworth's love of her mother inspired her to write poems: "full of birds and water and flowers and rainbows, the loveliest things I could think of, but really they were all about my mother." Ashworth has a rare capacity to describe how she felt as a child. Her prose is intelligent, and deceptively simple. With a second stepfather came the awful realisation that her mother was more than an innocent victim: "I felt sick at the thought that someone other than our stepfather could hit my mother. It made the batterings seem more scary, as if they were not confined to one horrible man, but had – in some way I didn't want to delve into – more to do with her."

ONCE IN A HOUSE ON FIRE
by Andrea Ashworth
Picador £14.99, 332 pages

This critical distance is the secret of Andrea's success, for she must separate from her mother to save herself. Meanwhile her younger sister and new half sister appear dangerously vulnerable. On one occasion, when their stepfather returns, bearing sweets to smooth his path back into their hearts, Andrea follows Laurie outside and finds her hiding up a tree: "Pear drops were pinging out of the tree, as if it were crying. I climbed right up to the top to join my little sister."

Remarkably, Ashworth manages to show that love as well as hate had a place in this violent home. Given that she herself was her stepfathers' victim, it is extraordinary that she can also recognise them as men shocked and tormented by their own vicious behaviour. For all its drama, it is this quality of observation which makes this book so impressive.

If Ashworth is the exception that proves the rule about the impossibility of escaping the twin scourges of poverty and domestic violence, then her story is as humbling as it is hopeful. Somehow, in a home in which "homework makes you a rebel", she determined to survive by means of her education. An assortment of aunties and teachers were the closest that Andrea came to fairy godmothers. Oxford University was her handsome prince. As her beloved, disappointed and disappointing mother wryly observes, when the taxi arrives to take her Andy away: "Your carriage awaits you."

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ARTS

The many faces of the Comeback King

Nigel Andrews on the reincarnation of John Travolta, who has made an unprecedented return from Hollywood's Neverneverland

How many lives is a movie star allowed? The face on the poster has been following us around for four years now. Though thickening out, it's still recognisable from the blue eyes, butterfly lips and dimple-bisected chin of yesterday. It's a face that shares its meanings with the public more readily than almost any other star's. And it's a face we lingered on less than we might the last time round, since in the 1970s all the arrows of the epoch were pointing at other parts of that amazing box-office machinery called John Travolta.

At his legs, which were dancing. At his clothes, which were high disco fashion (or dictated it). At his hair, recoiffed for each movie. Even finally his physique, re-tooled from neck to ankle in a prodigal Pygmalion madness by director Sylvester Stallone for the *Saturday Night Fever* sequel *Staying Alive*.

Could such a star – such a 1970s-specific heavenly body – come back if fashion ever chased him away? *If so*, in what shape?

Like many westerners I was taught that great F. Scott Fitzgerald dictum "There are no second acts in American lives." When *Pulp Fiction* came along it seemed to scoff. No second acts? Then how come the curtain had risen on a new instalment of a nearly forgotten life? We knew it *had* risen because we were sitting right there in the front stalls, circa 1994, watching a scene destined to become a classic.

Two gangsters are driving through Los Angeles. One says to the other, "You know what they call a quarter-pounder with cheese in France?" The other, after some banter, says no. The first man says, with grin drawn back like a bowstring and voice spreading in lazy, tickled delight, "A Roy-ale with Cheese." "Royale with Cheese," murmurs the other, savouring the luminous mystery.

This scene provoked euphoric giggles across the movie world, for the perfect match between the Dadaist inconsequence of its dialogue and the cool grandeur of its delivery.

John Travolta was back, doing more with less (once again) than almost any other actor around. Since *Pulp Fiction* he has tackled every role a demon casting agent could dream up, from heroin-addicted gangster to angel, and he still hasn't had a serious stumble.

Fitzgerald's saying, though, hasn't been disproved at all. What makes Travolta's return special is that it isn't a second act, it's a third. He missed the middle one completely: he left the theatre or the theatre left him. For 10 years he was out for the count in Hollywood, an ex-wonderboy wondering why his fee had fallen from $4m per film to $150,000 and why he was making films about dogs, orphans and talking babies.

> I came to wonder if I was looking not so much at Huck Finn as at cinema's Peter Pan

That gap in the career, however, is as fascinating as the career itself. Fame's stories are often seamless, characterless trajectories: they have no second act because they are one interminable first act. The spotlit hero never excites any seditious speculation over what might happen if the lights were switched off and the audience left him in mid-speech. In my book I try not just to fill the gap in Travolta's story but to suggest that the gap was in some ways essential. If he wasn't earning he was learning. If he wasn't making good films, he was recharging for the good films that might come.

But though Travolta bounced back, he has suffered ever since from the downside of a second coming. It starts to seem the *only* significant talking point. The word "comeback" lies in ambush in every press piece or media profile. But the star of *Grease*, *Urban Cowboy*, *Blow Out*, *Face/Off* and *Primary Colors* is a man of many comebacks. Almost no other leading actor brings such fresh quirkiness to his films. Returning the Travolta essentials – from the soothing but jaunty street slur to the walk that can be jived up for *Grease* or grunged down for *Pulp Fiction* – his characters combine the high definition of caricature with a textured humanity.

Compared with my last biographical subject Arnold Schwarzenegger, the Austrian hulk who moulded his movie career with the skilled monomania of an ex-muscle sculptor, Travolta seemed a subtler phenomenon: a pliant actor and human being with unaccountable mystical trimmings. He gathers heat and light from diverse sources: flying, acting, mimicry, writing, healing. He also devotes himself to Scientology, a faith about as attractive (and accessible) to the outsider as Symbionese Liberationism.

An early question for this book was: Can a sane or intelligent person believe in this creed? John Travolta left school at 16 and may have left it mentally and spiritually even before that. His own perspective on culture and learning is summed up by his Huck Finnish statement in 1983: "Both those things are easily handled – just pick up some books and read a dictionary."

Huck Finn, though, is no bad model for an aspiring movie star. A limber naivety and mental wanderlust, eager to raft down any river of the imagination or tributary of religious belief, can be histrionic assets. If an actor is open to whims, crazes and mystical influences offscreen – including the saws of L. Ron Hubbard whose Scientology *ur*-text *Dianetics* has an answer to everything from pre-natal trauma (too many abortion attempts) to burnt-out showbiz performers (over-zealous mothers stoking the ego) – all the better perhaps for his onscreen talent.

A plague on one-track living and thinking: it should be part of the natural order that Jane Fonda mutates from a leftwing campaigner to a First Lady of media capitalism; that Marlon Brando vacillates between being an Indian Rights activist and a student of advanced inactivity in Tahiti; that Shirley MacLaine incarnates a witty, hard-nosed attitude to life and Hollywood one moment and reports back from the outer limits the next.

Set aside Fitzgerald and invoke another American bard, Walt Whitman: "Do I contradict myself? Very well then, I contradict myself. I am large, I contain multitudes."

The actor's gift and mission are not to prescribe or inscribe but to be inscribed upon. In the process, defencelessness and directness become his yin and yang. The baby who thinks aloud in *Look Who's Talking* is an apt symbol for the unformed innocence Travolta displayed in early films and to a degree still radiates today, even when playing showy anti-heroes.

The only snag with this mobility and transparency is that almost anyone can shine a light through you as you move about: from friends or acquaintances who inspire you with characteristics for a role, to the director filling you with his vision, to the religionists using you to radiate their propaganda.

Finding world fame at 23 can induce a kind of schizophrenia. People treat you, the star, as a demigod or prophet and want to hear your wisdom. So you in turn defer to a higher authority, first to get these new disciples off your back, then because human beings cannot long endure being gods, especially if they have to exercise childlike qualities during working hours.

Something else is born of this dialectic between innocence and the burdens or impostures of fame. A sense of "camp".

Travolta has a gift for bringing life to retro heroes, from his Brooklyn teenager in *Saturday Night Fever* blissed out on the Bee Gees (who in 1977 were already dangerously close to cultural extinction) to the scrapbook gangsters of *Pulp Fiction* and *Get Shorty*. Combine that with his readiness to plunge into cornball movies, at least in his early career – no less than four Travolta films feature in one leading concordance of bad-movies-we-love – and the whiff of kitsch is never far off. *Saturday Night Fever* itself passed swiftly into camp immortality, helped by the spoof disco sequence in *Airplane!*, and this month was reincarnated as a West End stage musical.

The spirit of camp is nourished by the contradiction we sense between Travolta's kid-next door naturalism and the *outré* characters he is increasingly hired to play. His performances in *Pulp Fiction*, *Broken Arrow* or *Face/Off* have something of the small boy dressing up, which Travolta did as the child of a drama-teaching mother and as the brother of acting-mad siblings.

And the perpetual child in Travolta makes his years in the movie wilderness even more intriguing. How *did* he react when his vocational costume trunk was taken away? Did he cleave more closely to support systems and surrogate parents, like Scientology? Did he spend more time in escapist toy-rooms – flying his aeroplanes, eating chocolate ice cream? Or did he dimly discern that in the hands of moviegoers he had been too long yoyo-ing between infantilism and a kind of godhead, and that he ought to start maturing?

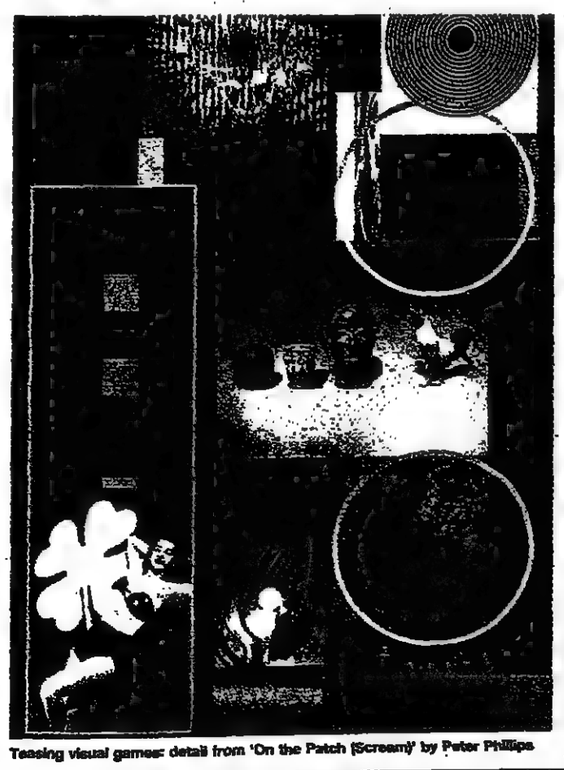
I came to wonder if I was looking not so much at Huck Finn as at cinema's Peter Pan.

He flies (count the private planes).

He fights for good against evil: albeit offscreen and albeit as evangelist for that strange ethical cosmos founded by L. Ron Hubbard.

And he came back, in a way no other actor has before or possibly will again, from the Neverneverland of the Hollywood waste tip.

■ *Travolta: A Life by Nigel Andrews (Bloomsbury, £18.99).*



Teasing visual games: detail from 'On the Patch (Scream)' by Peter Phillips

Notorious in their own time

London galleries are full of excellent work by the older generation, writes **William Packer**

Sometimes, to judge by the abiding public obsession with the young, one might think that there is no art after 35. But a regular trawl through London's commercial galleries soon gives the lie to this nonsense: they are all full of the work of painters of whom it would be positively unkind to tell how old they are. Their work covers the whole gamut, from the most closely-observed figuration to the simplest abstraction, thereby laying more myths and errors. While we may savour the irony that all of them in their time were young, celebrated – even notorious – we also have to admit how good their work still is: how formally various; naturally competent; full of ideas; how very well made.

Peter Phillips (at Thomas Gibson) was one of the Pop-art generation that sprang from the Royal College in the early 1960s, but has not lived in England in 30 years and has had no substantial exhibition here since his retrospective, *retroVISION*, toured the country in the early 1980s. The scale of his paintings has come down, though the larger of them are still five feet or so. But the reduction has served to concentrate the imagery, which is a complex inter-cutting and college-like layering of the disparate references – formal, photographic, art-historical – by which he plays his teasing visual games. A hard-edge abstract motif is set against a ball of string, a sculpture, a pin-up, a cartoon character, a wallpaper pattern, a Waterhouse nymph or a soldier by Stubbs, all rendered with meticulous precision. He is making paintings, as he always has, about making paintings, playing with formulae, pictorial conventions and contradictions, yet labouring no obvious point, and leaving us free in our response, serious and enjoyable.

Alan Green (at Annely Juda) is one of the most refined and consistent of abstract painters. A long engagement with an oddly romantic near-minimalism, with immaculate, ambiguous surfaces full of atmospheric possibilities, has lately given way to imagery no less simple but more open in its suggestion of sky, horizon and the moods of landscape. Perhaps it was the move from London to the Welsh Marches, but in the actual working of the surface there is also a sense of a return, close to the more gestural work of the early 1970s. Either way, these sets of solid bars of rich, sombre colour, often slightly off the horizontal and laid, it seems, so casually upon each other, like stacks of timber, are as impressive as anything he has ever done.

Paul Huxley (at Jason & Rhodes), now professor of painting at the Royal College, was again one of the young stars of the 1960s, with his deceptively simple abstraction of enigmatic motifs upon a colour-field. He too has shown too seldom. This new show takes up afresh the formal opposition of two complementary abstract figures side by side, that has so long intrigued him. The one will be colourful, the other all but monochromatic: one the more gestural in the statement, the other a hard-edged construction; the one active, romantic, free, the other passive, classical, retrained. But of course nothing is ever quite so simple, and here we find that those hard, colourful blocks are the ones juggling with each other, balancing precariously, doing handstands, while the looser, cursive, more jumbled and complex figures are the more staid in their deportment – all very strange and interesting.

Three other shows are to be recommended as no less rewarding. Joe Tilson (at Theo Waddington) has always been the most naturally conceptual painter of the Pop generation, with his fascination for labels and categories, lists and contrasts, word and image. Who else nowadays, and so unselfconsciously, would ever give us a full set of the nine muses? John Ward (at Hazlitt, Gooden & Fox), *bête noire* of the prejudiced for his social portraits, is simply one of the great topographical draughtsmen of this or any age. With a date in the 1820s, and the initials RPB in the corner, his drawings would be in the British Museum as a matter of course, and it is the best news that the Tate has at last bought a painting. These drawings, from France, Italy and Austria, are as astonishing as they are delightful. As for Elizabeth Blackadder (at Mercury), I merely restate my belief that she is one of the very best painters now working in the UK, for all that her subject so often is cats or flowers. She is a magical draughtsman, and this show, of her print-making over some 35 years, serves only to make her work more practically accessible than usual.

Peter Phillips – freedom of choices: Thomas Gibson Fine Art, 44 Old Bond Street, W1, until May 29. Alan Green – paintings 1995-98: Annely Juda Fine Art, 23 Dering Street, W1, until May 23. Paul Huxley: Jason & Rhodes, 4 New Burlington Place, W1, until May 30. Joe Tilson – Conjunctions: Theo Waddington Fine Art, 5a Cork Street W1, until May 30. John Ward on Tour: Hazlitt, Gooden & Fox, 38 Bury Street, St James's, SW1, until June 5. Elizabeth Blackadder – prints 1963-98: Mercury Gallery, 26 Cork Street W1, until May 30.

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ARTS

On the festival bandwagon

Andrew Clark reports on changing patterns in cultural consumerism

Last month, amid great fanfare, a new festival theatre was inaugurated in the German spa town of Baden-Baden. It cost DM150m (£40m) to build, and the German taxpayer is committed to subsidising it to the tune of DM8m for the next 22 years. The programme consists entirely of high-profile imports such as the Royal Opera, which will unveil its new production of Verdi's *I masnadieri* there on June 8.

At a time of cultural cutbacks elsewhere in Germany, a 2,650-seat festival theatre represents a bold new initiative, extending a cultural tradition which has linked Berlioz, Brahms and Boulez to Baden-Baden over the past 150 years. On closer inspection, doubts start to surface. The *Land* of Baden-Württemberg is pouring money into festival events, while full-time orchestras, theatres and conservatoires struggle to cope with falling subsidy.

Has the festival idea gone mad? Baden-Baden was once the playground of the rich and famous. Now it is a backwater, trying to persuade Germans with spare time and money to patronise its overpriced hotels. It needs something to revive its fortunes. A festival is a convenient commercial tool. Art is being used to enhance image and profitability.

Baden-Baden is not alone. Hundreds of towns and summer resorts throughout the western world have given birth to festivals over the past two decades, most of them conceived as a marketing concept rather than an artistic entity. This is worlds away from the original festival ideal, which emphasised the uniqueness of the events taking place. A festival was a place for artists to get away from routine and let their hair down with colleagues of like mind.

Most European festivals no longer subscribe to this idea; some are just a stop on the tour circuit. If you scan this summer's programmes, you'll find countless festivals promoting the same type of event with the same artists. When you reach a certain degree of interchangeability, the word "festival" loses its meaning.

This is particularly true of cities with a multifarious cultural life of their own. Take the City of London festival, the Munich opera festival or the Zurich festival. In each case, the programme is barely distinguishable from what is available the rest of the year. The events just happen to be more expensive; they have more "prestige". This is not a strong formula for a festival. In such cases, the festival becomes a convenience.

Much the same applies to Baden-Baden. Its movers and shakers think they can create a festival overnight by bringing the Kirov Opera and the Vienna Philharmonic Orchestra to perform there. How mistaken can you get? In a few years the German burghers who are paying up to DM630 (£210) for a ticket will realise that "festival" in this case means "rip-off". The speed with which Baden-Baden raised its money and built its theatre was impressive; the one thing it forgot was the central nerve-system of a festival – the artistic *raison d'être*.

But there's no use complaining that Baden-Baden is one festival too many. Like it or not, the future of live performance may depend on the festival concept. Festivals offer what the traditional season-long subscription series cannot provide: short, compact events. A festival is a collection of highlights, and in the 1990s, that's what the world wants. It's a symptom of today's cultural consumerism. People have neither time nor patience for run-of-the-mill evenings. They want a sense of event.

This suggests a contradiction. Logically, late-20th century society should have a greater appetite for music, because the post-industrial world has increased leisure time. Reality shows something different. The people who don't work don't go to concerts. They are the people with the time, but they have neither the money nor the inclination.

Working people, by contrast, have less time than they ever had. They only have time for the best. Offer them a sense of uniqueness and they might come. And they're much more likely to come if such events take place at the weekend. They have no time during the week.

In future we will see a proliferation of weekend festivals, with a variety of events packed between Friday night and Sunday evening. Aspen and Beaune already follow this model; so do the Easter and Whit festivals in Salzburg. Lucerne will inaugurate a weekend piano festival in November, embracing six high-profile concerts over four days. Daniel Barenboim has announced a new Whit weekend festival in Berlin next year. There is a demand for such events, as long as the content is varied: look at the success of Roger Norrington's "Experience" weekends, a festival in all but name.

And if you provide a complete package, such as transport, accommodation and post-concert mingling with the artists, you'll have an edge over competitors. Corporate entertainers are already masters of this art. It's one of the advantages festivals have over one-off performances. If concert and opera promoters are to convince people of the value of the collective listening experience, with all its attendant inconveniences (as opposed to virtual reality at home), the festival idea is one way of going about it.

It helps if you have a remarkable location to match the remarkable performances you expect to hear. Think of Matsumoto in Japan, Kuhmo in Finland, Verbier in Switzerland. Their surroundings are spectacular, and that's why great artists enjoy playing there. But location is only part of their secret. To be successful, a festival must have a strong artistic idea behind it. It can be *any* idea, as long as it is compact and unique, and is followed through with conviction.

This is the foundation on which festival directors such as Brian McMaster in Edinburgh and Matthias Bamert at Lucerne have built their success. It helps to explain why Bayreuth and Salzburg continue to thrive. In each case, art came first; commerce followed. Once the novelty of its grandiose festival theatre has worn off, Baden-Baden may find itself short-changed on both.

The FT Summer Arts guide will be published next Saturday, May 23.

Opera

A fall from grace

For rake, substitute tart. Instead of progress, call it decline. In his new production of *Manon* for English National Opera, David McVicar draws inspiration from William Hogarth's prints charting the fall from grace of an innocent. At first sight, it seems a valid way of viewing *Manon*, for it not only echoes the rococo manners of Massenet's score and characterises the libretto as a sequence of genre paintings; it also invokes the spectre of moral corruption so pungently suggested by Prévost's novel. Judging by Wednesday's opening night at the London Coliseum, however, McVicar's inspiration subsides on roughly the same gradient as the fate of Massenet's teasing heroine.

That's a pity, because it all begins so promisingly. ENO's wish to revisit *Manon*, which it last staged nearly 20 years ago, suggests that late-19th century French opera is not as unfashionable as some would have us think. All it needs is a cast and conductor in sympathy with its period flavour. *Manon* is more substantial than *Chérubin* and *Don Quichotte*, the other two Massenet operas to have found favour in London recently, and it has a stronger ending than Puccini's treatment of the same subject.

What I found especially pleasurable at Wednesday's performance was the chance to re-acquaint myself with a score whose baroque stylisations and applications of colour are so delicately crafted. They found their match in Paul Daniel, whose easy precision and control of dynamics – notably in the accompaniment to Des Grieux's Act 2 "Dream" aria – would be a lesson to many French conductors.

If only the performance as a whole could have matched this consistency . . . McVicar and his designer, Tanya McCallin, view the action as a play within a play, framing it with shadowy period characters who have the same ringside view, and a similar sort of moral detachment, as the audience. The advantage of this approach is that it lends an all-consuming sense of spectacle to the opening sequence, which usually struggles to gather momentum; and the single set, lit with moody versatility by Paule Constable, creates a sweeping continuity.

Ill-suited: Rosa Mannion and John Hudson in ENO's new production of Massenet's 'Manon' Alastair Muir

McVicar's problem is that, by treating *Manon* as a morality play, he cannot identify with his subject as Prévost and Massenet did. And there's no point drawing attention to the frame if the characters portrayed therein are weak. That's where the intended parallel with *The Rake's Progress* falls flat. If ENO had a Malfitano or a Domingo on its books, or a Manon with Lesley Garrett's personality and a Des Grieux of Julian Gavin's Gallic ardour, the drama would capture our hearts and minds.

As it is, we are made all too aware that one scene looks much the same as the next. By half-way mark, tedium has set in, making minor irritations – the regional accents, the slapstick ballet – loom larger than they should.

For Rosa Mannion and John Hudson, *Manon* is a virtual re-run of their ENO *Traviata* 18 months ago. This is not just a case of similar plots – the social glitter, the blundering father, the pitiful breakdown. The two singers once again fail to strike the necessary sparks. Hudson's Des Grieux is the less culpable, if only because he has the notes and an appropriate air of stubborn naivety. What we need is a sense of romantic abandon, a more melting use of tone colour; Hudson never develops beyond the standard wimp, notwithstanding a decent stab at the great Act 3 aria.

Mannion's vocal problems are no less worrisome than in *The Tales of Hoffmann* two months ago. The trills and coloratura may be well etched, and her farewell to domesticity is touching – but the top of the voice barely exists. What we get is an ugly approximation, and by Act 3 she is starting to bawl: Mannion either needs a rest or a voice-doctor. As for stage personality, I find her ill-suited to Massenet's *femme fatale*. She may be credibly girlish in the first act, and her underwear reveals a fetching figure in Act 2 – but nowhere do we glimpse the Lulu-like minx, as innocent as she is duplicitous; nowhere can we say that "to see her is to love her".

Anthony Mee's Guillot is nothing like the lecherous, ridiculous, repulsive ogre he is supposed to be. Indeed, the production bypasses a whole world of frivolous *divertissement*, so that the three supporting "actresses" have barely a chance to register their presence. Ashley Holland demonstrates his value to the company with another strong performance as Lescaut, and Christopher Booth-Jones makes an equally believable De Brétigny.

A.C.

Radio/**Martin Hoyle**

Welcome return to real people

This week's radio news began with the portentous announcement that Robin Cook had "cleared his diary" to deal with the arms for Sierra Leone affair. Given his famously public contempt for "paperwork" one can only conjecture over the sparse entries that make up the diary of this very model of a modern foreign secretary: "Get divorced", "Annoy India", "Get married". In the event, Cook cancelled a meeting with the Board of Deputies of British Jews in favour of an appearance on BBC1's *Breakfast with Frost*; Sir David's soft-touch interviews are considered a right doddle.

The same news bulletin on Sunday reported a preview of the government's plans on truancy; a preview given by Tony Blair not to parliament, but to the News of the World. While our media-besotted politicians have taken up residence in the PR-regulated world of soap-stars and rock idols, there seems oddly enough a return to real people in the field of radio drama. We have recently heard Shakespeare, Lord Reith, Elizabeth I, Chekhov and Handel. But the greatest – in radio terms – was Angela Pelham.

Angela was sent to America, at the age of 12, when the second world war broke out. Her parents were in India and much of her life had been spent with aunts in England. She therefore had the cheerful middle-class resilience of putting a brave face on things. Wednesday's afternoon play, *The Young Ambassadors*, dramatised the family correspondence. Angela and her mother were played beautifully by Diana Quick and her real-life daughter, Mary Nighy; and a fascinating picture emerged of Anglo-American relations before Pearl Harbor.

The Americans kindness and enthusiasm (especially for the British royals) are charted; so is the slight cloud cast by their American host's conviction that Britain would be "down and out" by the end of the war so there was no call to waste a good education on the young English. The Windsors call, the Duchess upset at her dress being ruffled by the children's bouquet. The children hear the radio linkup between evacuees and their parents in England. Their horror at the torpedoing of the "City of Benares", killing 73 evacuee children, was underlined in Cherry Cookson's production with snippets from the sound archives. The voices of Chamberlain and Roosevelt and radio broadcasts of the time were artfully intercut with fine performances including Selina Cadell and Mary Wimbush.

There are amazed comments on the strangeness of America: the "fairyland" of Virginia, the way schoolchildren compare parents as divorce juggles the distribution of fathers and mothers. "I can't help feeling it would be easier if we spoke different languages and admitted we were different," says Angela. And the adolescent girl flirts with a nice American medical student, refuses his invitation to neck, is called a cold Britisher in the kindest way (he rather likes her that way, but hopes she will grow up soon).

Throughout, the tone of the letters is sweet, fresh and loving; a Dodie Smith play with backbone, perhaps; a reminder of the terrible paradox that hopes were highest and life more vivid, emotions more keenly felt, when things were at their darkest and death an imminent presence. The play was a delight.

David Pownall's *An Epiphanous Use of the Microphone* promised more than it delivered. It intercut the preparations to broadcast the first ever play on radio, *Twelfth Night*, May 28, 1923, the BBC of course, with the play's first night in 1602. The challenges and problems of the venture – actors adapting to an invisible audience – were slightly skated over. The parallel plot had a mummerset-accented Shakespeare terrified lest Queen Elizabeth, nearing 70 and mourning for Essex, should take offence at the play's portrayal of a woman besotted by a younger man. Francis Bacon prowled and lurked, resenting Shakespeare for no very clear reason; and Elizabeth eventually sneaked Will off to hear some recusant Catholic liturgy beautifully sung, her own illicit vice. Parallels were implied but not really drawn between politico-fashionable pressures then and now and the struggle with a new artistic medium – the Elizabethan premiere takes place in darkness, all the candles out.

Coincidentally, this theme had been anticipated in Monday's *Today* in an item on London's Battersea Arts Centre and its forthcoming performances of drama and music in total darkness. Susannah York and her son played Gertrude and Hamlet and said how they had to develop extra senses playing in the blackness. So did reporter Rosie Millard, her voice rising to a squeal as she cried "Where are you?" The eternal question of the artist – and politician – to his public.

Television/**Christopher Dunkley**

An adult discussion on paedophilia, please

Watching television's treatment of what has been called "the paedophile crisis" you get the impression that quite a lot of people would like to stop us not only talking about the subject but thinking about it. We have managed to turn children – with massive aid from television, the music industry and advertising – into the most knowing, least innocent, imitation adults imaginable. To watch eight-year-old girls on children's television doing bumps and grinds in imitation of The Spice Girls is to watch a seemingly incompatible mixture of naivety and knowingness.

And yet, at the very time that we have allowed adult influences to turn children into such ghastly little sophisticates, our society has also fostered the myth of angelic childhood innocence. The myth is a necessary part of the process sustaining contemporary hysteria about sexual relationships between adults and children. Destroy it and you destroy the foundations upon which that hysteria depends: if children are not sweet little innocents but sexy know-alls, is it always, unspeakably evil to have sexual relationships with them? If sex with somebody on their 16th birthday is okay, how immoral would it have been the day before?

The most appalling aspect of this is that television will not even address the subject. There are plenty of programmes which touch upon it, in one way or another, but the central concern – the morality of sex between adults and children – is never broached. The standard response is: "Well, we all know it's wrong, don't we? It's disgusting".

But that was not the attitude in the widely admired civilisation of ancient Greece. There, heterosexuality was seen as necessary for the propagation of the species, but true love was what went on between man and boy. On other aspects of ethics we regard the thinking of the ancient Greeks (despite their dependence upon slavery) as brilliant and seminal. So are we right in our hysterical reactions regarding paedophilia? Perhaps we are, but would it not be a good idea to discuss this matter like any other?

Failure to discuss it means that programmes such as this week's *Panorama* scramble down to tabloid level and extend the confusion between paedophilia and murder, or at least conflate the two as though one necessarily involves the other. This programme, headed "Defend The Children", was, as usual, not about paedophilia. It was about public reactions when man convicted of child sex abuse – and in this instance murder – are released into the community.

Of course what was done to Jason Swift, the child victim in this case, was hideously wicked. But that does not make the sight of a screeching lynch mob on *Panorama* pretty, nor does it serve the need for a rational discussion of the matter lying beyond the problem of placement in the community: paedophilia. I have seen only one programme which had the courage to break down the taboo and begin to discuss the subject, and that was *The Devil Amongst Us*, shown earlier this year by Channel 4. It was produced by Kevin Toolis and written and presented by Dea Birkett.

Even this brave woman felt that she had to adopt a tone ranging from incredulity to downright hostility when she spoke to paedophiles, but at least she did speak to them, asking what their feelings were for children, what they wanted, and why they did what they did. Compared with the sort of open discussion we expect from television on other ethical matters this, too, was severely limited. Yet it was a dramatic advance on the standard programme where the presenter lines up with the lynch mob at the start.

Channel 4 continues to plough its lonely and courageous furrow today when it screens Mark Forstater's programme, *The Lolita Story*. This is chiefly concerned with Nabokov's book, his difficulty in getting it published until it was taken up by the Olympia Press in Paris, then the hostility towards Kubrick's 1961 movie, and the controversy surrounding Adrian Lyne's new film version, which is being launched into the teeth of "the paedophile crisis". Astonishingly and gratifyingly the new *Lolita* has been given a certificate in Britain at a time when nobody can be found to distribute it in the US, so, in a reversal of normal events, it can only be seen at present on the east side of the Atlantic. The 1961 film will be shown later tonight on Channel 4.

Unfortunately *The Lolita Story* never properly answers the most difficult question prompted by both movies which is: why use sexually well-developed actresses for Lolita when the whole point of Nabokov's story is Humbert Humbert's fascination with the *child*? That aside, however, there is more sense talked about paedophilia in this programme, largely by Jeremy Irons who plays the 1998 Humbert Humbert, than in half a dozen normal current affairs programmes on the subject.

A little can mean so much

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Motoring

Sequel is better than the original

Stuart Marshall samples Renault's New Clio

Small cars get better each year, for which we can thank consumer pressure. Buyers expect a new model to cost little, if any, more than the one it is replacing.

They also take it for granted that it will be as well equipped, safe and as pleasing to travel in as a larger, much dearer car.

Renault's New Clio illustrates the trend perfectly. The original one, launched seven years ago, was the first supermini to offer big car refinement in a small car package. It won the European Car of the Year award, spawned the best series of television car commercials and became an instant best-seller. For the last five years it has been among the top 10 most popular cars in Britain.

Although the competition is fiercer than ever, New Clio promises to be at least as big a success, not least because its pricing is so keen. Renault claims rivals such as the Volkswagen Polo, Ford Fiesta and Vauxhall Corsa are significantly dearer if the cost of options to bring them up to the New Clio's specification are taken into account. When it goes on sale in Britain on May 29 it will be cheaper, model for model, than the old one, with on-the-road prices starting at £8,350 for a 1.2-litre petrol-engined 3-door, £8,800 for a 5-door. These are the only New Clios without power steering, which is a £385 option only for entry-model diesels, which cost from £8,950.

Even the cheapest Clios are far from basic. Standard items include driver's air-bag, high-level brake light and five-speed gearbox. Controls for the radio are on the height-adjustable steering wheel. Service intervals are up to 12,000 or two years, whichever is the sooner, for the petrol models, 10,000 miles for the diesels.

Moving up range, the better-equipped RN comes with the 1.2-litre petrol engine (1.6-litre in the £10,250 3-door automatic), has standard power steering, and air conditioning is a moderately priced £495 extra. Posher still are the RT Clios, with 1.2-litre or 1.4-litre petrol engines or a 1.9-litre diesel, ABS brakes and powered front windows and sunroof.

The top New Clio RXE models are more like small-scale executive cars than family hatchbacks. They have three or five doors, 1.6-litre engines and manual or automatic transmission. Prices range from £11,250 for a 3-door manual to £12,500 for a 5-door automatic. Lots of good things such as Air conditioning, ABS brakes and a trip computer are part of the package.

Renault says the secret of being able to offer a better New Clio for less money than the old one is more efficient manufacturing. The strength of sterling against the franc has no doubt helped.

What impressed me when sampling the latest Clios in the south of France was their excellent ride comfort, mechanical refinement and lack of wind and road noise. This is important. Tyre rumble in particular can be a big source of driving fatigue over long distances.

I had asked to start off with a 1.2 litre, but the car went so well that I wondered if I had been given a larger-engined model by mistake.

The 1.2-litre engine develops 60 horsepower at 5,250 revolutions per minute but its torque (pulling power) peaks at a modest 2,500rpm. As overall gearing is fairly low, acceleration is lively without having to make the engine work too hard and top-gear flexibility is good. These qualities, plus a sensitive right foot, are the ingredients of economical motoring. A New Clio 1.2-litre driver with a thought for the environment (and the high cost of petrol) will achieve at least 45 mpg (6.3l/100km) on a run.

> Papa and Nicole will grow to love it because it has French *joie de vivre*

The 1.4-litre, 75 horsepower and 1.6-litre, 92 horsepower versions were even peppier but no less smooth-running than the 1.2-litre. At 81mph (130kph) on the autoroute they all hummed along quietly with plenty of power to spare.

In the hills where the roads can be rough and the curves are tight, the New Clios were just as impressive. The suspension was soft enough to be thoroughly shock absorbent, firm enough for fast cornering without lurching or roll. The power-assisted steering was light for easy parking and urban nimbleness, precise at speed on the open road.

Renault has long been renowned for seat comfort – does anyone remember the sheer luxury of the Renault 16? – and the New Clio is no exception. Is it heresy to wonder if there is much point any longer in spending more than the price of a New Clio on a car destined to transport one or two people, mainly on short journeys?

More than 300,000 Clios have been sold in Britain since 1991. Annual registrations rose steadily to just over 58,000 last year. Undoubtedly, the New Clio will do even better, especially when additional models – a high-performance 16-valve and a turbodiesel with Renault's new super-economical direct-injection engine – join the range later this year.

New Clio will appeal strongly to real-life counterparts of Papa and Nicole, the stars of Renault UK's diverting TV commercials. They will be drawn to it in the first place because it is exceptionally keen value. But they will grow to love it because it has French *joie de vivre* with build quality to equal the Germans.

Renault's New Clio: A supermini in price but a scaled-down executive car in comfort and build quality

Japan

The car dealer on your doorstep

Michiyo Nakamoto finds there is still a place for the traditional door-to-door salesman

You don't have to go to a showroom in Japan to buy a car. The door-to-door car salesman can still sell you one. He has long been a key figure for car buyers, often building a lifetime relationship with a customer.

Now changes in the country's social fabric and the severe slowing of the economy could exert severe pressure on his livelihood.

It seems a far cry from the salesman's heyday. Traditionally the sales pitch would often start with a postcard. Then, a week or so later, there might be a ring at the doorbell from the man from the local Toyota dealership.

The salesman would often visit in the evening, when the housewife was at home preparing dinner and discuss the weather or a new road running across town and only broach the subject of a new car after such informal niceties.

Even if the customer showed no interest in buying, the salesman might offer to check the irregular lighting in the display panel or recommend a reliable gardener.

The idea was that the salesman should build a relationship with his customers lasting a lifetime. It was meant to begin with the first no-frills car bought at the age of 18, the legal driving age in Japan, and to be maintained through to the family station wagon and then the upmarket saloon complete with navigation system favoured by the well-heeled elderly.

Today Japanese car salesmen are expected to visit as many prospective customers at their homes as they can, which could be 200 a day.

Among the tricks they used would be to look at a sticker on the windscreen of the car parked in the garage. The sticker would give the month of the costly, mandatory car inspection, when Japanese owners often trade in their cars. If the required inspection was coming up, the salesman would use it in his sales pitch.

The system worked well, particularly in the countryside, where personal relationships count for more than function and style when it comes to making a big purchase. It is not uncommon in rural Japan for people to buy one Nissan after another, because they have always bought from the local dealer.

During the 1960s and 1970s, when the demands of a rapidly expanding economy left little time to cultivate personal tastes or distinctive lifestyles, many people found it easier to rely on the local dealer to make the choice for them.

> People are no longer happy driving the same car as Mr Tanaka next door

All that was required when it was time to change cars, was to call Mr Watanabe from the local dealer – often the man who had sold you your first car.

The relationship between dealer and customer was such that by the late 1980s, during Japan's so-called "bubble economy" when asset prices rose to astronomical heights, it was not unusual for a well-to-do customer to call up his dealer and order the most expensive car available without having seen it first.

But as the economy has ground to a virtual halt, and as urbanisation has spread, affecting not only the Japanese landscape but also the nation's social fabric, selling a car in Japan increasingly requires different methods.

Particularly in Japanese cities, where housewives do not necessarily stay at home, populations move more frequently than in the countryside and neighbourhoods can change dramatically through urban development, it has become difficult for dealers to rely on house-to-house sales.

Individual taste has become more pronounced and fickle. People are no longer happy driving the same car as Mr Tanaka next door. Even older couples have spent time overseas and are opting for offroad recreational vehicles, or imported cars, rather than the sedate Japanese-made saloons that used to be their standard choice.

Among urban and suburban consumers, cars are becoming a personal statement, an expression not just of social status but of lifestyles. Consumers will seek out the car they want before the dealer seeks them out.

While the practice of house-to-house sales has not died out, Japanese car companies are increasingly finding that the results do not justify the costs of their traditional services.

The average number of cars sold per salesman can be as low as four a month at some dealers. So dealers are changing tack. They are trying to persuade customers to come to them instead. To do so, they organise special events, such as seminars on "how to make the perfect small garden", which aims to capitalise on the recent gardening craze in Japan.

The spread of the internet is also forcing marked changes. Car companies have set up home pages where prospective buyers can look at colour pictures of cars and obtain detailed information. Last year, Nissan took orders for a special model through the internet.

If that is the way of the future, there will soon be far fewer salesmen ringing the doorbells of Japanese homes.

Gardening

A favourite that keeps on growing

Robin Lane Fox once feared for the future of the Chelsea Flower Show. Now, he is not so worried

The buttercups are second only to the bluebells as the most beautiful sight in Britain. At the moment, the loveliest sights are as often to be found in nature, beyond the garden wall, as among the first lilacs, honeysuckles and late tulips of this extraordinary year.

Next week, from Tuesday until Friday, we will nonetheless be going under canvas for the annual ritual of the world's finest flower show. Chelsea Flower Show is due again and 140,000 people have already bought every single one of the tickets in advance.

Five years ago, I felt slightly nervous for its future. The costs of mounting the great exhibits were rising remorselessly and the visiting public seemed less keen on ordering plants at the show for delivery many months later.

The garden centre habit of instant acquisition has eaten into Chelsea's order-books which were once the mainstay of many of the larger and more adventurous businesses.

Specialist growers of the great old families, both floral and human, were ageing and finding the fashion for a freer style of mixed planting was turning people against pure collections of the best of any one plant in a bed on its own.

The children of devoted growers tend to lack a restrained attitude to visible profit. The great exhibits of mixed clematis, peonies and ever-changing types of delphinium began to dwindle as the maestros gave up or stopped breeding.

There was also the rising star of the Hampton Court Show, held on a much bigger site with greater access at the height of the gardening season in July. It was natural to wonder if Hampton Court would start to undermine Chelsea.

In fact, the outcome now seems different. The two shows have a different style, Chelsea the more formal, perfect and magnificent, Hampton Court the more focused on shopping and feature items.

The public still swarm for Chelsea tickets and this year the number of exhibitors competing for places in the main tent is actually higher than last year. There are no problems at the turnstile and no problems about keeping up the numbers prepared to exhibit for next to no financial return, valuing the honour which a Chelsea stand gives.

The exhibitors inside the tent pay nothing for their space but are pre-selected on the evidence of previous showing with the Royal Horticultural Society and plans submitted for each year's exhibit. Quality control tries to uphold what visitors see and even extends to the yearly exhibits from foreign sources, whether Trinidad and Tobago or Malaysia. The RHS has its eyes and ears, like an old oriental monarch, to inform it throughout the world.

It continues to face a difficult dilemma. Past exhibits have included some bought only days before from florists or other growers in Holland or the Channel Islands. They were flown in and shown under their buyers' name as if they were their own stock.

The resulting publicity caused several exhibitors to display notices that all the plants on show came from their own nursery, although one or two realists were quick to see that sometimes these protestations of virtue could still be ambiguous.

The RHS judging policy remains unaltered. The judges are expected to judge the exhibit, not its provenance. Even when they suspect that flowers on the stand have been bought in for the occasion, they are reminded to judge what they see, not what they are not being shown.

The reason for this firm policy is essentially practical. It is almost inconceivable that most exhibitors include last-minute purchases in order to improve their stands. Specialist growers of fine lupins, particular old-fashioned roses or rare clematis, would be unable to buy such plants from any source except their own shelves.

Nonetheless, provenance cannot be policed and the RHS is simply taking the opposite attitude to the official line on drugs. If the rule cannot be thoroughly enforced then it is the wrong rule and judges must stick to the sights they really can check.

I would be far happier knowing I was looking at the exhibitor's own expert efforts rather than at his skill in shopping. Every year, I hear cheerful anecdotes from serious exhibitors about how a neighbouring stand helped them out with the loan of a plant or two for a bare corner, but actually, I wish nobody helped anyone else, despite the admirable esprit de corps among most exhibitors.

It blurs the far sharper line crossed by those who buy in at the last minute and although the prospect of cross-examination is perfectly frightful and I can well see why the RHS is shy of it, I would much rather not think gold medals for cultivation are being given out to exhibitors whose vases are being filled from boxes straight out of the Channel Islands' florist trade.

Gardens outdoors are quite another matter where last-minute assembly is inevitable and part of the decorating challenge. In the 1970s the FT won three consecutive gold medals and I well remember how grateful we were to fellow-exhibitors for last-minute gifts of filling and rescue. Outdoors, these artificial gardens are like assembly kits and nobody should object if they are revived at short notice.

Of course the vast majority of exhibits, especially inside the tent, raise no such questions. This year, the king of clematis breeders, Raymond Evison, is showing a fully double clematis which is said to flower almost throughout the summer. Like a new semi-double white rambler rose from Peter Beales, it is not a new break but a discovery in an existing garden.

Elsewhere, Burncoose Nurseries is claiming its Delphinium Red Rocket is as strong and bright a red variety as any before it. There are new streptocarpuses for gardeners indoors, new lupins for gardeners outside and a pure pink Alstroemeria named Princess Margaret in what is, perhaps misleadingly, called the Little Princess series.

The Alpine Garden Society is showing under canvas a characteristic range of unusual alpines in stone troughs on loan from Ness botanic gardens in their centenary year. The Jamaica Tourist Board is striking out in another direction by creating the figures of a Jamaican market woman and a folklore character from frames covered in leaves and flowers. It sounds exactly what I most dislike, but it will be splendid if it proves me wrong.

All is set for a tremendous show with the usual rising tide of gadgets, and ghastly good taste.

Spare a thought while you visit or watch on TV for the poor old tent itself. It is said to be by far the largest expanse of canvas in the world but after several years of English weather, it is recognised by its owners, the RHS, to be losing colour and in need of replacement. Canvas is the one material known so far that allows the plants underneath to breathe and receive adequate light.

By the millennium, a new tent will be in use, no doubt challenging our sense and the plants' instincts in these *fin de siècle* days when it is never enough to order exactly the same thing as before.

Chelsea's attractions in bloom: but spare a thought for the poor old tent, said to be the largest expanse of canvas in the world

The Garden Picture Library

How to Spend It

Fashion

Rustic tweeds give way to City elegance

Brenda Polen admires Daks for moving from classic clothing into fashion

One tends, not quite erroneously, to associate the Daks label with robust country pursuits, the kind which call for windcheating, hairy tweeds, conservative, camouflage checks and rugged, dun-coloured trousers. After all, its origins are possibly the least glamorous of all luxury brands. In the fashion industry it is a tale told both with amusement and with a kind of wonder at the marketing innocence of an earlier age.

It tells of how, in 1934, Alec Simpson, son of Simeon Simpson, the founder of the company, invented the "self-supporting" waistband, making, in one fell stroke, both belt and braces redundant for anything but decorative purposes. Alec knew he had a winner and, even before one pair of the revolutionary trousers reached the market, his Stoke Newington factory had turned out 100,000 pairs.

But what to call them? Today, a team of expensive marketers would spend months developing a concept and focus-group testing it to a certainty. Back then Alec decided that the American word for casual trousers, slacks, was hip and that, in tribute to his father, who had died at only 54 two years earlier, he would slide it with "Dad" and get Daks. To modern sensibilities anything less sexy than Dad's slacks is hard to imagine.

Yet Daks (and Simpson) has managed to survive the delicious embarrassment of its name. In the last decade, it has done much more than that, expanding the brand to include a complete wardrobe of men's, women's and children's clothing and accessories. And, in a reversal of the journey made by the big-name fashion designers, it has reached out from its rural and weekend base to conquer the city and the working week. It is planting its flag this month by opening its first shop in Queen Street in the City of London.

At least, that's how it looks. Jeremy Franks, the affable and urbane ex-Guards officer who is chairman and chief executive of Daks Simpson, demurs. "We are really returning to our roots," he says. "Simeon Simpson started out as a tailor in Middlesex Street in Whitechapel in 1894 but he was ahead of the game even then. He supplied top-quality bespoke suits to upmarket shops; a made-to-measure suit took five days but for emergencies like sudden weddings or funerals he would do it in 24 hours."

It was Alec, however, who was to take the company into ready-to-wear and into retailing, opening in 1936 the Simpson store on Piccadilly with its curved windows and imposing Travertine staircase. Designed by Joseph Emberton and Lazlo Moholy-Nagy of the Bauhaus, it left the rest of London's great stores looking like dowdy Victorian matrons trying to keep up with a bobbed and corsetless flapper.

In 1940 a German bomb forced Daks out of Stoke Newington and north to Nottingham and Larkhall near Glasgow. After the war, a new factory was built at Larkhall. Today it employs 1,700 people who, together with the 410 at the factory at Polbeth, opened in 1986, produce 25,000 pairs of trousers, 1,500 skirts and 15,000 "sleeved garments" every week. "We are," says Jeremy Franks, "the only great British brand which manufactures all its clothing in Britain from British fabrics."

In doing so, Daks manages to undermine all the fashion industry's fast-held beliefs that costs in industrialised nations are prohibitively high and only the developing world can deliver at a competitive price. Because one of the most extraordinary things about Daks is its prices. "That's because we are based in tailoring and men's wear," says Franks. "Traditionally, men expect high quality at a sensible price. It is only in the world of women's wear, with its haute couture history, that customers have been persuaded to pay over the odds for intangibles like label cachet."

Left: Daks cream linen/cotton/polyurethane trench coat £399. Cream wool silk trousers £199 and white linen shirt £89. Tan leather loafers £95.50 by Russell & Bromley, 24-25 New Bond Street, London W1 and branches; tel: 0171 629-6903. Nude solell tights £3.50 by Aristoc (inquiries 01773-825520). Right: Daks black wool frock coat £399, cream ribbed polo £89 and cream wool/silk trousers £119. Gold heart bracelet £2,650 from Asprey, 165-169 New Bond Street, London W1; tel: 0171-493 6767.

Daks grey/black wool-stripe long jacket £319 (autumn collection), black wool/silk skirt £119, black wool waistcoat £99 and white linen shirt £89. Black justine leather bag £230. Nude tights by Aristoc. Black mesh court shoes £125 by Kurt Geiger, 49 New Bond Street, London W1; tel: 0171-546 1888.

Label cachet is at the heart of Daks's current preoccupations. It doesn't have any. It has status, of course, but not of the glamorous kind. One tends to link it in one's mind with brands like Burberry, Aquascutum and Austin Reed, the brands which rely on quality, an upmarket rural tradition and esoteric identifiers like "house checks". The latter has always seemed to be a rather crude device which exploits peer group snobbery. But Burberry proved in the 1980s that peer group snobbery can expand very profitably into "aspirational" fantasy.

In addition, however faded a glamorous label may eventually become, its cachet was originally earned by innovative or exciting design which expressed the spirit of the period when it made its name. That is the kind of cachet Daks cannot aspire to. What it can do, however, is what Jaeger under the design directorship of Jeannette Todd nearly pulled off. It can gradually reposition itself in the marketplace and public consciousness. But that's a difficult path. Too swift and radical a change risks sacrificing established business for uncertain gains.

Yet when you move from classic clothing into fashion, too much caution only confuses everyone. Jeremy Franks was managing director of Daks Simpson (Menswear) in 1985 when the Simpson family sold the company to its Japanese licensee, the Sankyo Seiko Group. He was appointed chief executive and given the green light to direct a major revival operation. Efforts had been made before to update Daks but to outsiders they seemed tentative and haphazard.

One of the moves in which Jeremy Franks takes most pride is his appointment in 1998 of his women's wear designer, Joyce Dixon. A prizewinning graduate of the Royal College of Art, Dixon's CV includes a period designing couture at Maggy Rouff in Paris and powerful jobs with Feminella, Aquascutum and Hartnell. It is she who has updated the classic country clothes and, injecting just enough fashion-awareness, has developed a sleek, urban element. These clothes are essentially conservative in concept and fabrication, but then Daks's strength lies in its tailoring.

Dixon did not have the option of going the "soft dressing" route which currently dominates fashion. She has, instead, placed her money on the consistency of professional women's loyalty to the jacket and the formal, workaday suit. If some of the styles in the range look staid to fashionable eyes, others, especially the high-buttoning, long jackets with their pencil trousers, look fresh.

The return to sharp tailoring, present in recent collections from cutting-edge designers like Tom Ford at Gucci and Alexander McQueen, is probably overdue. And it is undeniable that many working women decided to wait out the soft dressing phenomenon in their authoritative business suits and others opted for mixing both in their wardrobes.

"Since we brought in Joyce," says Franks, "our women's wear business in Europe has overtaken the men's. We know we have to attract attention to the brand and we think the shop in the City will contribute to this. It will carry men's and women's wear and accessories and it will offer a bespoke tailoring service as well. We are also taking an idea from America and offering customers an 'at your desk' service. That's because, although we would hope to attract a good lunchtime shopping crowd, we know that many of our potential customers are trapped in the office with a sandwich."

Daks may be a company secure in its history of traditionally British classic clothing, he implies, but it is, in many ways, as modern as tomorrow. "You know," he says, "this business about New Britain is not nonsense and hype. We are innovative, creative, forward-looking. The weak have gone and the strong remain and, against considerable competition from foreign parts, we are doing very well."

"Doing very well" is the kind of restrained, very British phrase which suits Franks and Daks nicely. They do not want to take on the stars of fashion's firmament. That's not the kind of attention they want. But then, it's not the kind their potential customers in the Square Mile crave either.

☐ **Photographer:** *Tim Whiter*
☐ **Stylist:** *Linda Lerning*
☐ **Make-up:** *Claire Anne Ray for Estee LauderHair; Phillip Fennah at Jo Hansford, 19 Mount Street, London W1; tel: 0171-495 7774*
☐ **Model:** *Erin Connelly at Models 1*

■ *All clothes available from Daks new City shop at 85 Queen Street, London EC4. Early autumn clothes will be available in the City shop from mid-June onwards. Other stockists include Simpson, Piccadilly and Harrods, Knightsbridge. Stockist inquiries tel: 0800-298 198.*

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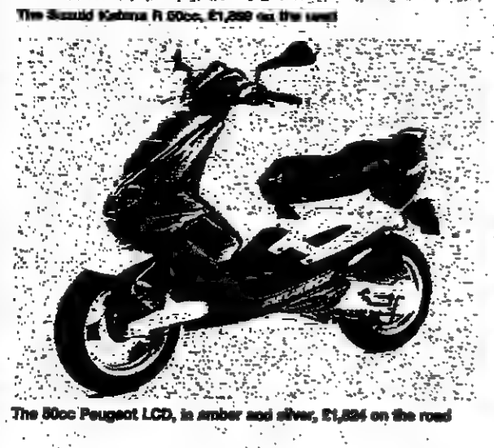
How to Spend It

The Suzuki Katana R 50cc, £1,299 on the road



The 50cc Peugeot LCD, in amber and silver, £1,524 on the road

Edward Lamont contemplates life on an Italjet Dragster 50cc, £2,549 from Scooterzone; to the left is a Piaggio Vespa ET4, from £2,560 at Metropolis

Malcolm Watson

Twist and go to beat the jams

Scooters can cross the city faster than a Ferrari – and you don't have to look like a Mod, says Edward Lamont

The UK's crammed urban streets are a joy for the scooter industry to behold. For those traffic jams have helped make Britain the world's fastest-growing scooter market – sales of 50cc bikes in the first quarter of 1998 were more than double those of the same period last year.

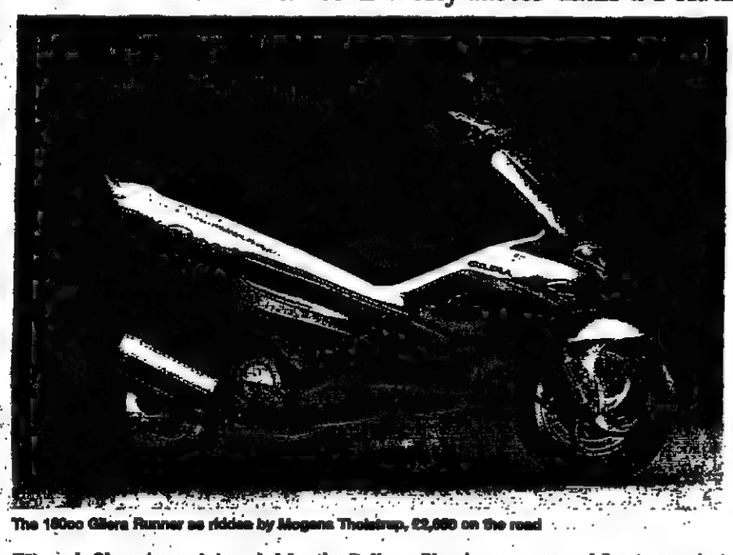
Manufacturers have borrowed a "plug and play" approach from the computer industry and are promoting their fully automatic scooters with a "twist and go" philosophy: if you can sit upright and open the throttle, you can drive a scooter. This user-friendly approach has attracted more women and older users, and makers have also begun to turn them into style-statements by sticking up the colours and adding accessories.

Claude Agius has seen it all before. His father began importing Vespas in the early 1950s, making it easy for Agius himself to become part of the 1960s scooter craze associated with the Mod movement. "Apart from the odd skirmish with the Rockers we were basically a pretty peaceable bunch. But with 800 Mods on a rally there were bound to be a few problems, and then the press really blew the violence all out of proportion," he says.

The reputation that resulted led to the marginalisation of the scooter as a means of transport.

In the 1990s new importers and new models have been coming to the market regularly, but only in the last three years have sales really taken off. The surge is due partly to better design and marketing and partly to consumer desperation, as people can no longer bear to commute by car or public transport.

As the postwar originator of the concept, Piaggio is the most established manufacturer, and has the biggest range of models, from the high performance Gilera to the retro-look ET4 and the traditional T5. But the real surprise has been the phenomenal sales growth of Peugeot scooters after their launch in the UK only three years ago. Benefiting from the high brand recognition and the large dealer network of the automobile arm of the company, its Speedfight 50cc and 100cc models were the best-selling scooters in the UK in 1997 and the early part of 1998.



The 180cc Gilera Runner as ridden by Mogens Tholstrup, £2,660 on the road

Manufacturers appear to be targeting three types of user: the Romantic, for whom they have produced the retro-styled scooters with 1960s looks but using 1990s technology; the Blade Runner, fired up by the performance and styling of the modern machines; and the Eternal Aetoobee, only interested in getting from point to point as quickly and cheaply as possible.

Romantics include the Gallagher brothers of rock band Oasis (Italjet Velociferos), Blur's Damon Albarn (Vespa T5) and Olympic sprinter Linford Christie (Vespa ET4). Along with the Malaguti Yesterday, these "future-retro" designs have played a part in refuelling the market, particularly with older buyers.

Blade Runners include racing driver Jean Alesi (Piaggio Typhoon), restaurateur Mogens Tholstrup (Gilera Runner) and the Spice Girls, who are touting Aprilia's Sonic (and other products) on their world tour.

Unsurprisingly, the high-tech design market is being led by the Italians. Piaggio, Aprilia, Malaguti, Gilera and Italjet all build beautiful bikes with a sci-fi look, and are credited with making scooters credible and desirable again for a younger market.

For those looking for nothing more than economy and point-to-point transport, an import such as the Indian-built Bajaj Chetak 125cc can be on the road for as little as £1,289, and is rated as one of the best options for fuel economy in an engine of its size.

Much of the 50cc market is directed at younger buyers who cannot yet legally drive anything bigger, but dealers have noticed older buyers showing interest as well. Many of today's users are in their late 40s or early 50s – about the age Mods would be now.

Retailers have noticed a rise in the number of solicitors and bankers coming into their showrooms. Many of these users are content simply to get moving on a 50cc machine using their car licence, but manufacturers have also successfully targeted the executive buyer with larger and more comfortable "mobile armchairs". Honda has its Foresight, Yamaha the Majesty, and Piaggio has recently launched the Hexagon to compete for the executive market.

It is with the City commuter market in mind that Paul Crayfourd and his partners opened Scooterzone just north of Liverpool Street station in London earlier this year. "We wanted to create a new concept, dedicated to selling scooters to the City buyer. What we've done is make it possible to walk in here on your lunchbreak and drive off on a scooter in the shortest time possible – we're trying to meet the needs of busy executives."

Metropolis in London's Vauxhall works to a similar principle, but is careful to ensure that buyers leave with the confidence needed to cope with fast-moving traffic. The cost of the Compulsory Basic Training course is included in the price of their 50cc and 125cc scooters.

> The scooter's ability to weave in and out means that journey times can be accurately predicted

While anyone can ride a 50cc bike (technically a moped) with a standard car licence, the CBT is a must for anyone wanting to ride the more powerful 125cc scooters. Accidents have been dramatically cut since the introduction of the course, and the industry sees it as a way to improve its accident-prone reputation.

The biggest attraction for the first-time buyer has to be the low initial outlay. Prices start at about £1,200 for a 50cc machine; a more robust 125cc model might cost around £2,500. Italjet offers finance that puts its range on the road for as little as a £25 deposit, and payments can be lower than the monthly cost of a London Transport Travelcard.

Users talk of halving their journey times once they make the change. While underground and rail journeys are regularly interrupted by signal failures or strikes, and cars are often simply blocked solid in traffic, the scooter's ability to weave in and out means that journey times can be accurately predicted.

Malaguti now promotes its products with the slogan "faster than a Ferrari through central London" and with the latest government figures showing a continued decrease in daytime average speeds to just 10mph, it is no wonder that drivers are deserting their cars.

Running costs are another plus – most scooters achieve over 100 miles to the gallon; and free parking bays are provided for bikes in many London boroughs.

On the other side of the coin, scooters have historically been known for noisiness and instability. It has been claimed that when they were first introduced, a lone Vespa riding directly through the centre of Rome at midnight would wake 100,000 people with the high-pitched buzz of its two-stroke engine; and the small wheels were notorious for heading skywards on corners at the first hint of moisture on the roads.

But the noise issue has been overcome using better technology, and better tyres and suspension systems have improved stability.

This leaves only stealing as the remaining big headache. Their popularity with 12-16 year-olds has led to a rash of thefts. In fact, scooters are so likely to be stolen that police have been known to borrow them from retailers for use as bait.

In response, manufacturers are coming up with elaborate systems for protecting their wares. Malaguti now fits all scooters with immobilisers as standard equipment, and others offer alarms or built-in locks to hinder the thieves. Most also offer insurance packages: Italjet offers free insurance to anyone who has passed their CBT; and both Peugeot and Malaguti will insure up to four family members on the same scooter for less than £250 per year.

With a further 30 per cent increase in journey times forecast for London by 2000, the scooter industry knows that the more the traffic slows, the more its sales will speed up.

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☐ *R. Agius (Piaggio) 363 Edgware Road, London W2. 0171-723 0985.*

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☐ *Motorcycle Service Centre (Peugeot), 541 Harrow Road, London W10. 0181-960 6434.*

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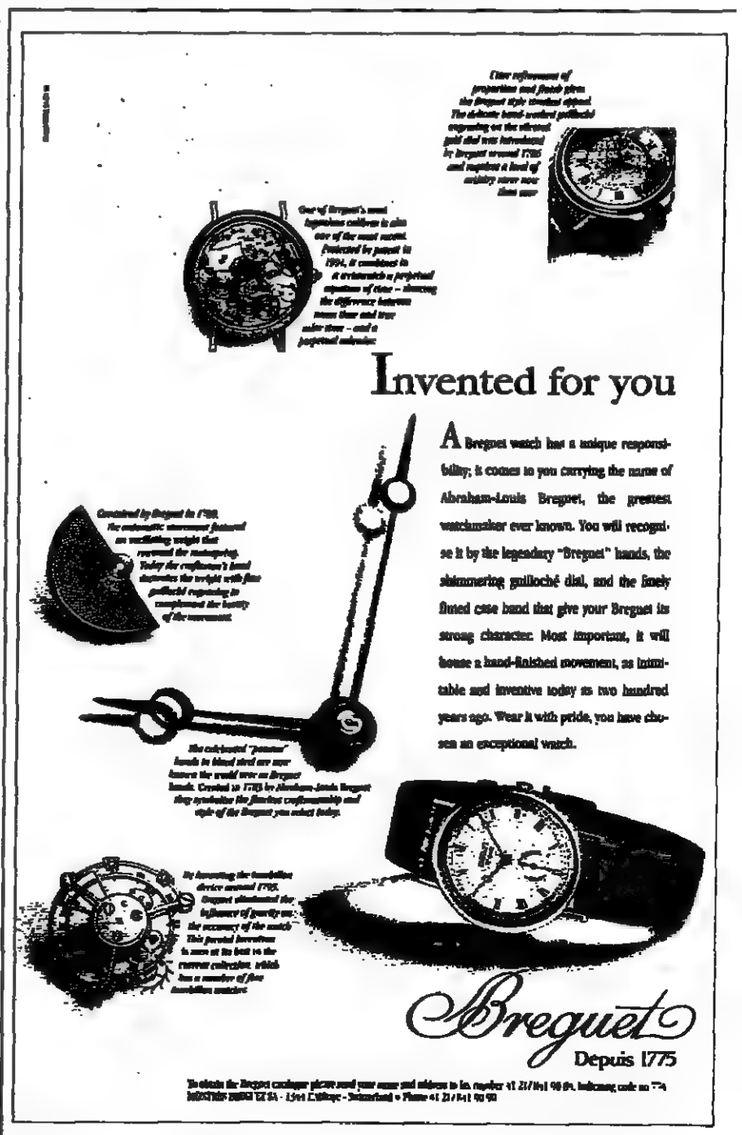

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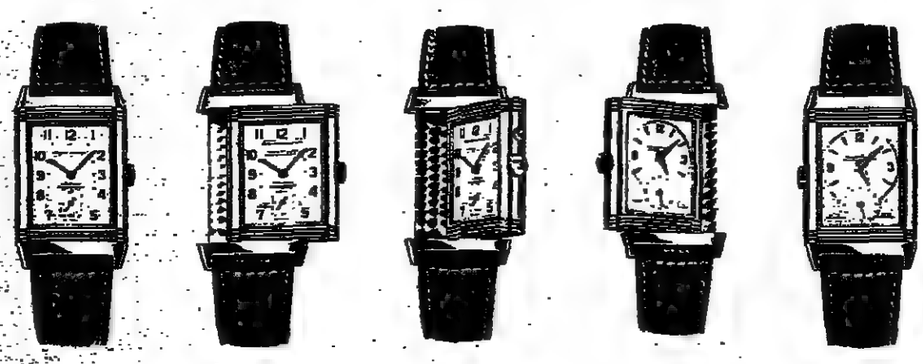

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TRAVEL

The stone figure of a Magyar tribesman

City break / **Budapest**

An atmosphere of anti-climax

Richard Donkin finds a people unwilling to shake off every vestige of the communist past

The garlands of peppers and garlic gathering dust and cobwebs above the more traditional stalls in *Budapest's last remaining* food hall looked old enough to have predated glasnost and perestroika. Garlic bulbs were draped around a photo*graph of a youthful Lady* Thatcher as a lasting tribute to the nemesis of communism from the ranks of its undead.

It may be unkind to equate those who came through the communist era with the soulless beings that hatched from pods in *Invasion of the Body Snatchers, but there is* a discernible air of disillusion among the people who occupy the trams and walk the streets of downtown Budapest *as it* approaches the millennium.

They craved the freedom of the west and the consumerist lifestyles projected on US television programmes for so long, the last thing anyone expected when western-style democracy finally arrived was a sense of anti-climax. Yet it is all around.

Below stairs in the food hall the fishmonger was clubbing a carp from his tank *in the same sort of way* he must always have done. Even the street outside retained its communist-era drabness. Only the peep *shows and the porn pedlers,* interspersed among the fashion shops of Váci Utca, the main shopping thoroughfare, remind visitors that Hungary *is a society in transition.*

Hungarians themselves would argue that they have moved well beyond the tran*sitional phase. The city's big* hotels are like big hotels the world over. Its cafés are thriving again after years of neglect. But the first flush of excitement over the *arrival* of such western icons as McDonald's and Burger King has long since subsided.

They opened their doors to capitalism and what did it bring? Casinos and lap-dancing. The latest addition to Budapest night life is an Irish theme pub.

Little wonder then that the man and woman in the street – while in no way entertaining the notion of *returning to communism* – are capable of demonstrating some affectionate nostalgia for the old days; what the fashion gurus might identify as retro communist chic.

> Bureaucratic ticketing systems have a politburo authenticity

A wedding party laughs, *while* their guests look on with more than a glimmer of recognition, as one of their family groups struggles to push a clapped-out Polonez *into* a vacant space between the modern Audis and Renaults on a cobbled roadway beside the Danube. This is how it used to be.

The theme is captured in a book of Budapest humour which carries a passage from an instruction manual for the Trabant, the ubiquitous East German people's car. "The Trabant grips the road exceptionally well," it says. "Its acceleration is first rate. This, however, must not encourage reckless and irresponsible driving."

Not too much has changed either in the bath houses, where the bureaucratic ticketing systems have a politburo authenticity only slightly spoiled by the smiles of the attendants who can no longer sustain the demeanour of Moscow key ladies. It needs a serious misdemeanour, such as entering the water without your bath hat, *to earn a Soviet-style* earbashing.

But in the segregated parts of the spa baths at the Gellert Hotel, the nostalgia *overflows as men in loin*cloths like Masonic aprons submerge themselves in the heated pools. In adjacent rooms, pot-bellied masseurs work out their tensions in pummelling routines.

The tourist *shops sell tins* containing "the last breath of communism" but some of Budapest's residents seem intent on preserving the memory more tunefully. Among the more popular antiques in the bric-a-brac shops are Remington typewriters, mechanical calculators and old wirelesses that allow you to tune into BBC World Service with authentic air wave distortion.

In the New York Café, where gilded eagles survive from the Hapsburg era, Johann Strauss has given way to Levi Strauss and the feather boas and fedoras of the pre-second world war smart set have been supplanted by the Kangol cap and Loden coat.

The restaurants team with gypsy violinists, so numerous in the tourist quarters *that they are almost spilling* on to the pavements. At one restaurant purporting to serve Greek food – it looks suspiciously like goulash with olives – a trio of hussars on horseback emerges *out of the night,* only to be turned away by the waiters.

The west may well have forgotten communism, but those who were born and *lived under the hammer and* sickle are not prepared to dismiss their past as a valueless existence. They recognise that there are some values worth preserving.

A partiality for regression should be interpreted neither as xenophobia nor as a rose-tinted view of communism. There will be no going back. But the east still suffers the after-shocks of its headlong leap into capitalism. You can see it in Budapest, a palpable *zeitgeist,* committed to the future, but unwilling to shake off every vestige of its past.

■ *British Airways and Malev, the Hungarian airline, both run two flights a day from London Heathrow to Budapest. Economy tickets range from £238 to £648 return.*

The naked truth in a French spa

Simply everyone's wearing black – black mud that is, says **Alice Rawsthorn**

Lying naked with gleaming black mud smeared all over my torso, I wondered idly whether I resembled one of those blue-painted *figures in an Yves Klein* 1960s art installation; until I realised that I looked much more like Swampy, or a fellow eco-warrior, after a particularly arduous day's tunnelling.

I did, at least, have the consolation of being coated not in just any old mud, but a rather rarefied strain dredged all the way to France from the Dead Sea.

What is more, the mud had been smeared on *top of* a blend of salt and citrus oils which smelt so delicious that I almost forgot the final indignity of having been trussed up in a heated plastic sheet, like a chicken giblet destined for a Kentucky Fried oven.

After half an hour or so baking (thankfully at a non-*life threatening temperature*) the mud was hosed off with a blast of icy water. My skin was left feeling, well, as soft and fresh as all those glossy magazine articles on the merits of Dead Sea mud *beauty treatments promise* it will feel.

Pleased with the result, I vowed to treat myself to regular mud-scrubs back in London, even though I knew I would never find time to fit them in. That is why it makes sense for me to spend a weekend somewhere like Hotel Royal, near the French spa town of Evian-les-Bains on the south shore of Lake Geneva (source of my mud-bake and the eponymous mineral water) because it gives me a chance to indulge in the mud-scrubs, *hydromassages* and other treatments that I always seem too busy for at home.

Other people would find different rea*sons for staying* there. Hotel Royal is part of the Domaine du Royal Club Evian, a sprawling wooded park which includes the smaller Hotel Ermitage.

It also has a golf course, swimming pools and tennis courts at the foot of a snowy-topped mountain range where guests can go skiing, snowboarding or hiking.

It all belongs to the Evian mineral water company, which is headquartered in a 19th century building in the *nearby spa town, but has* moved its bottling plant to the less picturesque setting of Amphion, a couple of kilometres along the lake.

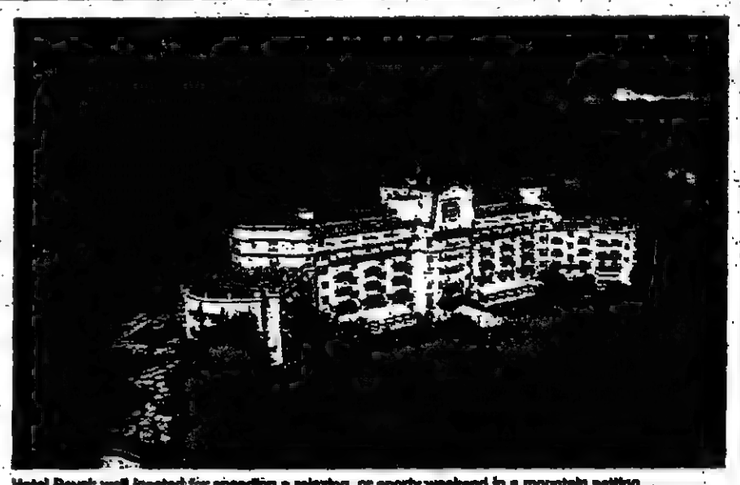
Originally built in 1909 to house the *habitués* of *Evian's Casino,* and the affluent invalids who came to take the local waters, Hotel Royal combines the clinical air of a traditional spa hotel with a whiff of Belle Epoque opulence.

All the *rooms* have terraces with spectacular views stretching over the wooded grounds towards the town's rooftops and across Lake Geneva to Lausanne on the Swiss shore.

Most of the guests are French, which, coupled with the chef's reconstructions of local dishes made from Lake Geneva fish and mountain herbs, saves the Royal from the usual luxury hotel trap of being indistinguishable from dozens of other places with similar facilities and the same number of stars.

During French school holidays, the hotel is overrun by *bon chic bon genre* families (the Gallic answer to Sloanes or preppies) who have fled there from Paris and Lyons *for the children* to lose themselves in the play area, while their parents drink in the mountain air.

For the rest of the year, Hotel Royal is perfectly *located for anyone* who wants to spend a relaxing, or sporty, weekend in a lovely mountain setting, particularly if they can go before or after a business trip to Geneva, only a 60-minute drive around the lake.



Hotel Royal: well located for spending a relaxing, or sporty weekend in a mountain setting

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TRAVEL

China's human zoo theme park

Sarah Murray finds a real-life display of ethnic minorities

Roving musicians in the China folk culture theme park in Shenzhen — Sarah Murray

In a dark interior, the dim light filtering through wooden shutters reveals a spartan room furnished with silk wall hangings and low-slung chairs. One corner contains a young Tibetan dressed traditionally and in solemn contemplation. Possibly to assist in this, he has placed one of his fingers an impressive way up his left nostril. I retreat in haste – such an occupation is surely best carried out alone – and find myself back in the bright sunlight of the courtyard outside.

I am still reeling slightly – we have spent the morning in Shenzhen, the Chinese metropolis bordering Hong Kong, on a "downtown" tour that takes in such scenic wonders as the Nanhai Oil Development Zone, the Shenzhen Customs Supervision Zone and vast construction sites where signs explain that "Time is money and efficiency is life". And now we are in Tibet, complete with prayer wheels, golden bells and a real Tibetan.

A few metres away, a group of tribesmen sits in a yurt, the felt tent that is their home high on the grasslands of Inner Mongolia; further off, women busily embroider a tribal skirt in the Jingpo Village and over at Huizhou Street, men indulge in a game of chess.

This is China Folk Culture Villages, one of a growing army of ambitious theme parks springing up across the People's Republic. In this bizarre human zoo, living examples of 21 of China's 56 ethnic minorities can be seen in houses representing their various styles of architecture in a park built on about 180,000 square metres of prime Shenzhen land.

There, surrounded by skyscrapers and the distant hum of the special economic zone, about 300 people – ethnic minorities and a handful of Han Chinese in costume – live and work.

It must be a strange life, but perhaps it is not an unpleasant one. The daily routine appears to consist of sitting around in national dress and, when sufficient numbers of tourists have gathered round your hut, leaping up to weave something, sing a folk song or play a traditional instrument.

It seems the pay is not bad either. "I earn enough money here to help support my entire village," says a Bai girl from the remote south-western province of Yunnan.

As well as the live exhibits in their life-sized houses, attractions include a copy of the Cangyuan cliff paintings, a statue of the thousand-handed and thousand-eyed Guanyin and something intriguingly described as the "Laser Folk Music Fountains". Eating and shopping are part of the equation, so a food hall provides a selection of ethnic delicacies, while wooden huts stock craft objects, paintings and a generous supply of film.

Spoilt for choice, I stop at a signpost to contemplate my next move. It indicates a tempting range of possibilities – Wa Village, Nanfeng Pagoda, Tujia Overwater Market, Toilet. I opt for the Wa Village and am glad to have done so for the Wa people seem to be having a really good time. They are dancing and singing, even though there are no tourists in sight.

My arrival does not inhibit the proceedings. The Wa are spirited performers, although what they are playing does not sound terribly traditional – I could be mistaken, but are those the strains of China's rock rebel Cui Jian? And one of their friends (or is it an over-enthusiastic tourist?) has forgotten to put on his costume. Dressed in sneakers, jeans and a bright yellow jacket, he interrupts his energetic drum solo only when a mobile phone falls out of his pocket.

> Minorities are expected to wear their national dress at official functions

Over at the cave houses of northern Shaanxi a sign explains that these dwellings, carved out of cliffs on the loess plateau of northern China, provide natural air-conditioning – that is, if you happen to be in northern Shaanxi. Here in Shenzhen other methods are necessary, in this case an extremely loud Japanese air-conditioner prominently positioned above the door.

Throughout the park, modern inventions are put to clever use to help entertain the tourists. In the Naxi village, deprived of the hot south-western sun, the occupants are using hairdryers to dry their brightly coloured brush paintings. The Uighurs of Xinjiang clearly need to take a leaf out of the Naxi book as their enthusiastic singing is being drowned out by the furious fiddling of the Mongolians, who have a huge sound system at their disposal.

When the Uighurs finally give up trying to compete with modern technology, I sit down to talk to them. In limited Mandarin, I manage to discover that they think Shenzhen a fine place.

They could be right. Back home in their mainly Moslem province, in China's far north-west, 16 people were executed in January for offences committed during a separatist uprising last year. The young Tibetan I encountered earlier could well have been among those incarcerated by the Chinese authorities, were he not busy entertaining tour groups.

Those languishing in China's jails were apparently exercising the "wrong" type of nationalism. In the culture villages there is the "right" sort of nationalism – part of an ideology dating back to the 1980s when local costume, song and dance started to be promoted by the state.

"Be from life and yet go up on to a higher plane than life itself," is what the guide says was the philosophy behind the project. Whether or not visitors to the place feel they are on a "higher plane" is anyone's guess. But they are certainly enjoying themselves, having a go on the drums, sitting on camels or trying their hand at a bit of weaving.

The odd thing is that most of them are Han Chinese (judging by the amount of times I am photographed, "foreign devils" must be thin on the ground). This seems strange given that in parts of China populated by minorities, Han show little interest in their culture.

In Tibet, Chinese state workers have to be paid supplementary wages and given extra holidays to persuade them to move to a place many consider a barbarian wasteland. And yet here they are in Shenzhen, lining up cheerfully beside Mongolians, Uighurs and Tibetans to have their picture taken.

> Modern inventions are put to clever use to help entertain the tourists

Before returning to the tour bus, I look in on the costume room, where examples of traditional dress are displayed. Colourful and lavishly decorated, these garments are the most visible marks of China's different ethnic groups – and have been the most sensitive politically. Forced to don Mao suits during the Cultural Revolution, ethnic minorities are today expected to wear their national dress at official functions.

It is time to leave. As I make my way out of the costume room, I notice that music is being piped out from muffled speakers inside the building. The song: a badly orchestrated version of "Born Free".

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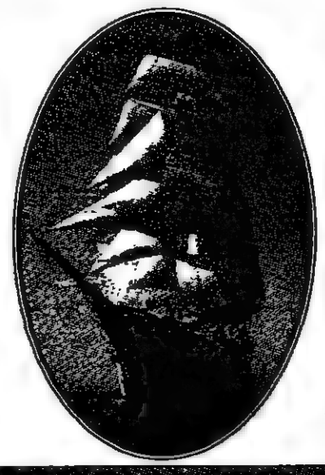

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Day 4 Grenada. Morning at sea. In the afternoon explore this wonderful island, which many regard as the most beautiful in the Caribbean. It is a lush and verdant island with spice plantations, tropical forests,secluded coves, nature trails and select hotels which cling to the hillsides overlooking the Ocean. We will moor in the enchanting capital of St George's until midnight.
Day 5 Carriacou. Arrive at first light at Carriacou for a mornings visit. Land on the marvellous Anse La Roche and enjoy an afternoon in this paradise setting. Later sail around to the tiny capital, Hillsborough.
Day 6 St Lucia. Morning visit to St Lucia a splendidly rugged island of towering mountains, lush green valleys and acres of banana plantations. We will moor in sight of the islands best known feature, the twin peaks of the Pitons, which rise dramatically from the sea to more than 2,400 feet. In the nearby town of Soufriere we can visit the bubbling sulphur springs, part of an ancient low lying volcano.
Day 7 Iles des Saints. This eight island archipelago, dots the waters of the south west coast of Guadeloupe. Still untouched by the hand of tourism these attractive islands offer lovely coves and beaches and colourful fishing villages, populated by fair haired and blue-eyed descendants of Breton and Norman fisherman.
Day 8 Antigua. Returning to Antigua we will have the day to explore this island which boasts some of the best beaches in the Caribbean. There will also be time to visit English Harbour and the historic Nelson's Dockyard.
Day 9 At sea sailing to the Virgin Islands.
Day 10 Virgin Gorda. The British Virgin Islands are recognised throughout the seafaring world as one of the finest sailing areas. The 36 islands and cays sit in a dazzling turquoise sea surrounded by beautiful coral reefs. We will drop anchor at Virgin Gorda one of the principal islands of this charming and unspoilt British Crown colony. Overnight Mooring.
Day 11 Joost Van Dyke. Spend the morning cruising through beautiful island-dotted waters of the British Virgin Islands, then drop anchor at the little visited hideaway island of Joost Van Dyke.
Day 12 St Martin. This morning we are bound for the French West Indies and the green, undulating island of St Martin. Less well known and visited than its big sisters of Martinique and Guadeloupe, St Martin is a little oasis of Gallic charm. We will spend the afternoon here visiting its tiny, yet sophisticated capital of Marigot.
Day 13 St Barts. This tiny French West Indian island is proud if its reputation as a stylish and exclusive tropical resort. It is a very 'top drawer' place and the island's capital of Gustavia offers gourmet restaurants, street cafes and smart shops.
Day 14 St Kitts. Returning to the British Caribbean we will make a landing in the morning on the delightful island of St Kitts. This lovely island has it all; restful green fields of sugar cane plantations, rainforests and long stretches of uncrowded beaches. The atmosphere here is wonderfully relaxed and full of old-world charm.
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TRAVEL

..update...update...update...update...update...update..

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☐ **PEAK PERIOD:** High in the Andes next month are two *festivals: the Bolivian* Pachakuti and Peru's Inti Raymi, re-enacting the crowning of the Inca. See both and much more on a trip *with Union-Castle Travel (you* can amend it to suit your tastes): +44 0171-229 1411.

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☐ **CADFAEL COUNTRY:** Most of Ellis Peters' stories about the medieval monk-detective Cadfael are set in the 11th-century abbey in Shrewsbury. Spend a June weekend in the pretty old town with Whistler Breaks (+44 01743 718964), seeing locations and a museum devoted to the writer and her creation.

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John Westbrooke

Horses ride to the rescue

Gillian O'Connor looks at how one of Portugal's poorest provinces is trying to woo tourists

Slow road: mules are a familiar sight on the roads of the Alentejo

Raine Barbey/Magnum

The mule pulls a single ploughshare, while the *farmer* walks behind. So much for the idea that the Common Agricultural Policy has turned all Europe's farmers into plutocrats.

It is hard to imagine a more medieval sight. But the man with the mule – and it is a beautiful mule – is well off by local standards. A few miles further on we pass a second man breaking up pasture in order to plant crops. *He is doing the job by hand*, using what we decide is a mattock. It makes your back ache just to look at him.

Portugal is one of the poorest countries in the European Union, and the Alentejo is the poorest province in the country. Covering the area between Lisbon and the tourist-infested Algarve coast, the Alentejo allegedly has fewer inhabitants now than when the Romans and Moors settled there.

The authorities see tourism as a possible salvation, but want to make sure this time they do not destroy the environment to save the economy. Much of the coastline has been turned into a nature reserve. Somehow putative tourists have to be encouraged to go inland, or explore the coast in ecologically friendly ways.

The answer is horses. Or, at least, Sheila Greenfield hopes it will be the answer. Her parents were among the original wave of north European settlers in the Algarve and admit to some share in its subsequent development.

The *Alentejo is* home to the ancient breed *of Lusitano* horses – sure-footed little battle chargers which the Portuguese took with them when they set out to conquer the world. Why not bring the tourists to explore *the Alentejo on Lusitano* horses?

One snag is that Sheila is not a natural gladhander. Tourists require jollying and organising, as Sir Billy Butlin worked out years ago. What she needed to make her trail-riding centre a success was someone to deal with her visitors: a smoothie to make them feel they are having a wonderful time, while still sticking to the schedule. That is the job *Robert Lee*, her partner, performs to perfection.

Six and half feet of Irish blarney almost conceal the determination underneath. "Hey, guys..." Robert's arm spends a lot of time caressing the shoulders of the nearest guest, male or female. He and his small team of guides meet visitors at the airport, settle them into their hotel and sort out an appropriate horse. "Safe with an accelerator and brakes? No problem."

The benevolent nannying continues throughout the holiday. Different schedules are available. All start with the group of visitors being picked up by minibus and driven across the estuary *and into the foothills to the* farm. Your attention is divided between the storks and egrets outside and the tempting fragrance of the breakfast rolls in the back.

Even in January the meal is served on the open veranda of the farmhouse, with the Cercal mountains – hills really – on one side and open plains on the other. You cannot see another human habitation, although the air jangles with distant goat bells. Our group used the farmhouse as a base throughout; other tours trek down the coast or across the mountains.

Taking a bunch of unknown visitors across country on horseback for several hours a day could be dangerous to both visitors and horses. So the former get firm instructions on how to look after the latter. "Keep together but do not bunch up. Let them choose their own path down the hills. Stand up and lean forward to take the weight off *their backs going up hills.*"

One enduring memory of the holiday is of a row of obedient well-spaced bottoms bobbing up above the horses' backs every time we rode up even a small hill.

Our group contained eight adults, all with responsible jobs. But by the end of the first day we had all gratefully reverted to childhood.

"Where are we going to eat *this evening*, Nanny?" Nanny thought we might like a quick look round the shops and then suggested a choice of three fish restaurants. We decided on the one where Nanny had already made a provisional booking. The fish, the pork and the vinho verde were all good.

Essentially it was a trade-off. In just eight days we rode through forests of giant cork oaks, across mountain ridges to secret towns with cobbled streets, down the river valley and through acres of wetlands, and across miles of dunescape to the long Atlantic beaches, where the horses paddled at sunset. We would not have been able to do any of this on our own.

"Thanks, guys. We had a wonderful time, and we picked up our free will from the left luggage locker on the way home."

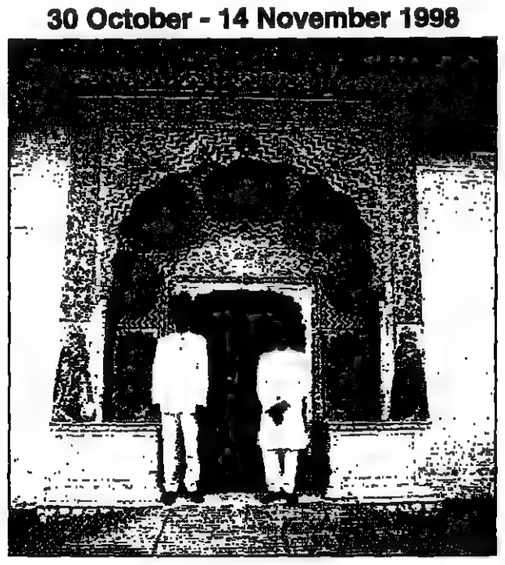
■ *Caminhos do Alentejo, CDA Portugal, Apartado 116, 7645 Milfontes, Portugal. Fax: +351 83 99 8206.*

FT BY INVITATION

Indian Heritage Tour

with LOUISE HUNTER, FT DIRECTOR

30 October - 14 November 1998



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5 Nov	Relaxing in Kody
6 Nov	Fly to Delhi
7 Nov	Delhi city tour, cycle rickshaw ride and Delhi Golf Club
8 Nov	*Train to Jaipur. Jaipur city tour and polo match. Royal reception*
9 Nov	Private visit to Mayo College. Drive to Khimsar. Royal reception
10 Nov	Drive to Jodhpur. Jodhpur city tour and jeep safari. Royal *reception*
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The Grand Hotel

A legacy wearing thin

Giles MacDonogh spends a night in dowdy splendour

Living like a monk: A label from the hotel's famous wine

A new refinement entered European hotels in the second half of the 19th century: *the railway had arrived* and sounded the knell for the rough-and-ready coaching inn. The path was now clear for the development of the grand or palace hotel which reached its apogee around 1900.

That date accounts for some of the more sumptuous architectural styles represented by the best of them: pristine neo-classical forms or puritanical neo-Gothic *had given way to an exuber*ant neo-Baroque or Rococo. Art nouveau was another possibility. In Portugal, architects revived the native Manueline style which had flourished at the time of the voyages of discovery.

The greatest example of a neo-Manueline hotel building in Portugal is the Palace in Buçaco, near the old university *town of Coimbra*. The setting is a rarity: almost all grand hotels exist in important cities, spa towns or in seaside and sporting resorts; *Buçaco is* none of these.

The hotel was constructed in the centre of a primeval forest. The only buildings on the *site* had belonged to a Carmelite convent, dissolved in 1834 when Portugal decided to banish its religious orders.

It was here that Viscount Wellesley, later Duke of Wellington, bided his time, dossing down in a monk's cell, before he scotched Masséna's army in September 1810. The French general lost 5,000 *men in the battle* which marked the beginning of the end for Napoleon in the Peninsula. The olive tree to which the Iron Duke tied his *horse is still there.*

The man credited with the idea of turning Buçaco into a palace-cum-hotel was Ferdinand of Saxony-Gotha, the German consort of Queen Maria II. He had already commissioned a splendid neo-Manueline fantasy in the Palácio de Pena in Sintra. With his children's backing, the idea gathered momentum and the Italian theatre architect Luigi Manini was commissioned to create an elaborate version of the Tower of Belém in Lisbon in the middle of Buçaco forest.

It is that building we see today, its cloistered arcades decorated with blue tiles illustrating the great Portuguese classic, *Os Lusíadas*, and with its sumptuous gothic interiors dominated by their sinewy tracery and vaults.

The great staircase even features a knight in armour whose eyes light up at night. *The huge drawing room*, with its stone chimneypiece surmounted by a carved lutenist, is festooned with paintings of Portugal's more *glorious past, while the din*ing room is covered with wall-paintings in cool, pastel shades.

Unfortunately for them, *the Portuguese princes had* little opportunity to enjoy their creation: in 1908 King Charles I was assassinated. Two years later his son Manuel II was deposed. He had just visited Buçaco for the first time, attracted by the chances it offered for dalliance with a beautiful English woman.

The style of the new, republican hotel was created by Alexandre d'Almeida, who replaced the courtly food in the kitchens with more earthy local dishes, and created the famous red and white wines, which are exclusive to the hotel.

Sadly, Almeida's legacy is now wearing a little thin. I checked in late, delayed by Portugal's national carrier for three hours at Heathrow. *The kitchens were closed* and the waiters could only provide me with some floury asparagus soup, some cold cuts and a lactic-smelling *ewe's milk cheese. When I* came down the next morning, I discovered all but the soup were available at the breakfast buffet.

The wine enjoys almost legendary status. I was able to sample several vintages, which are bought from nearby vineyards, assembled in Buçaco and run off into recycled bottles. Vintages of great age are available at a price which is generally very modest. The 1989 red struck *me as very good*, but certainly no match for some of the best local producers. A decade ago this was probably not the case.

Dowdiness is the word that most often springs to mind at the hotel. The cutlery on the dining table is no longer a set. In my bedroom, damp had puckered the paint in the bathroom, and, despite a fair distance between me and the lift, the machine woke me at dawn by uttering a *sort of* sonic boom every time it finished its upward or downward trajectory.

Doubtless there are grand suites on the floors below which are insulated against such problems. Even so, the chief reasons for staying at Buçaco nowadays are aesthetic: from my terrace, with its complement of fearsome gargoyles, I looked out on a formal, French garden which soon gave way to the tall, luxuriant foliage of the forest.

The area should be explored at leisure: the woods are dotted with wayside shrines the significance of which goes back to the time before princes and playboys, when these paths were trodden only by the humblest of barefoot monks.

■ *Information: Buçaco Palace Hotel. Tel: +351 31 93 01 01; Fax +351 31 93 05 09. Prices for a standard double room start at Esc20,400 (£68) off-season, rising to Esc30,000 (£100).*

Cookery

Why artisan cheesemakers can celebrate

Philippa Davenport takes a swipe at some of the methods used in intensive dairy farming

Man has kept sheep since the dawn of agriculture and ewe's milk has been used to make cheese for almost as long. In countries with suitable terrain, the cow eventually took over from sheep as the main provider of milk – because its yield is higher and, although the fat content is lower, the fat globules are larger. This makes it more convenient for cream and butter-making.

Britain's most famous cheese, cheddar, was already made using cow's milk in Tudor times, but sheep milk remained the norm for drinking, butter and cheesemaking until much later. In isolated pockets of Scotland and Wales, ewe's milk cheese continued to be made until the beginning of this century. But, by and large, for the past several hundred years, British cheeses have generally been made with cow's milk.

As we approach the millennium, the tables are beginning to be turned. Cow's milk cheeses still dominate the marketplace but many of the most highly prized British and Irish cheeses are now made from the milk of sheep or goat. Why? Like many of my compatriots, I have become sadly wary of dairy products made with the milk of the average British cow.

The intensively farmed herds of our dairy industry have been turned into four-legged milk tankers. Bred, medicated and fed to produce ever more milk, the poor beasts stagger under the weight of swollen udders, often half lame and suffering from back problems. Intensive dairy farms have been identified as major polluters of water in the UK.

Soil and subsoil are being destroyed by slurry and silage run-off. Many fields are so heavily dosed with weedkiller and fertiliser that no more than a couple of types of grass survive and flourish. The dull milk from cows grazed there is heat-treated and hauled in anonymous pools, becoming even duller. A far cry from the pure creamy-sweet taste of the countryside I hope to find in my daily pinta.

Given the circumstances, it seems unsurprising that increasing numbers of people are diagnosed each year as allergic or intolerant to cow's milk. And yet, I wonder. Could it not be that the cow and her milk are innocent per se? Could it not be that the cause of such disagreeable reactions in the wellbeing of some sensitive consumers is the bastardised quality of modern mass-produced cow's milk?

Soaring sales of fuller-flavoured, better-keeping, organic cow's milk suggest I am not alone in this view. Fresh goat's milk, with its distinctive clean tang, is becoming increasingly popular, as is sheep milk yoghurt, and discerning shoppers are queuing for artisan farm cheeses made from the milk of all three.

Part of the appeal of sheep and goat milk products may be emotive. Sheep and goat are perceived as leading more natural free-range lives than cattle. It is certainly true that they will browse and graze in places inaccessible to cows, at higher levels less likely to be deluged by agrochemicals, and their milk has not been subject to horror stories of taint in the eyes of the public. Travel has undoubtedly broadened the British palate, helping to dispel the view that cow's milk is mandatory to cheesemaking, and to promote awareness that the single most important factor in cheesemaking is the quality of the milk used.

Happily, there is much to celebrate in artisan cheesemaking in Britain and Ireland today, and a good overview of the contemporary scene is given in a new book, *The Real Cheese Companion* (Little, Brown & Co £12.99). In this, author Sarah Freeman tours the countryside, meets the makers and their livestock, observes them at work, tastes and reviews their products – and gives as many accolades to cow's milk cheeses of character, flavour and aroma, as to those made using goat and sheep milk.

Whereas most modern British cheeses are made with the milk of one animal only, the Italians tend to favour cheeses made with mixed milk. This may have originated as a practical solution for smallholders owning, say, a goat, sheep and house cow. Italy is a country where traditional tastes live on and, as Anna Del Conte points out in *The Gastronomy of Italy* (out of print but a new edition is expected next year), in her homeland there is little demand for cheese made with 100 per cent goat's milk.

The name caprino may suggest a pure goat cheese but, in Abbruzzi, caprino is made with a mixture of goat and cow, in Calabria with goat and ewe, while the caprino of Lombardy is made exclusively with cows' milk. Similarly, pecorino, is unlikely to be purely sheep milk unless made by shepherds with their flocks in the hills.

Last year in Piedmont, I visited a small company that uses the milk of cow, sheep and goat to make exquisite dairy products. Like some of Britain's most notable cheesemakers, Beppe Occelli came to his calling after years spent pursuing a different career. Now dedicated to reviving and perfecting half-forgotten local recipes and methods of cheesemaking, this quietly passionate man is driven by the belief that the better the milk the better the end product.

His eyes light up when he speaks of salt breezes wafting from the Ligurian sea to the unpolluted hills of the Langhe and the Alpine slopes of Cuneo, nurturing at each level different but richly varied carpets of grasses, wild flowers and herbs. The best milk (richest and most complex in flavour) comes from grazing the *alpeggio*, the naturally managed permanent high

mountain pastures to which herds are taken in spring to spend the summer. The *transumanza* (transfer) is an age-old pilgrim journey, still largely undertaken on the hoof, much of the route being too narrow for lorries.

The herds are small, the animals are local traditional breeds, and they are hand-milked all summer long – good husbandry, Occelli points out, as it enables the herdsmen to keep close check on the wellbeing of their livestock. The freshly milked milk is put into refrigerated containers supplied by Occelli, labelled with all relevant details, and brought down daily to collection points, after which the cheesemaking process starts promptly.

Some of the resultant raw milk cheeses are sold fresh, some are lightly ripened, some aged. Andrea Borgna, who is in charge of the cellars where ageing takes place, told me that when the freshly made summer cheeses come into the subterranean caves, the place is filled with flowery fragrance: "close your eyes and you could be standing in an Alpine meadow", sweet testimony that good cheese is the concentrated milky mirror image of the pastures on which animals have grazed.

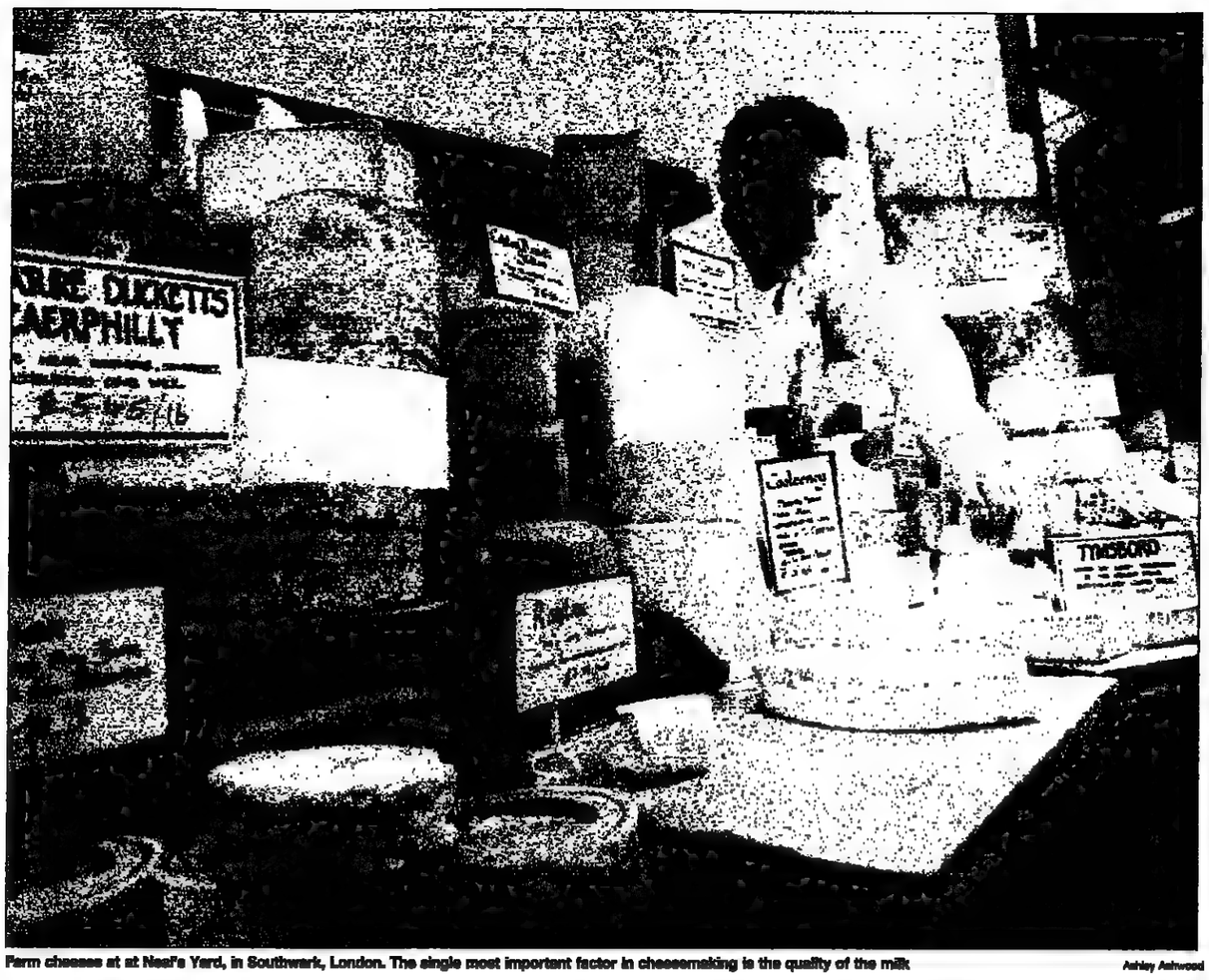
Tuma d'la paja, pecora, is an exemplary mixed milk cheese. Available year-round, it contains sheep and cows' milk, the percentage of sheep milk ranging from 50 to 60 per cent depending on the strength and character of the milk at different seasons. The small (250g-280g) flat wheels are semi-ripened for about two weeks on mats that give the rind straw-like markings. Texture is soft, aroma is rich, taste is full, creamy, slightly nutty and delicate, with a lingering aftertaste. It is very good indeed.

But, in my opinion, it pales beside tuma d'la paja, capra, a truly outstanding cheese made in the same way but using the milk of goat, sheep and cow (the goat milk content ranges from 30-40 per cent). This is a seasonal cheese, only made with rich milks collected from the *alpeggio*, beginning in April or whenever the herds go up to the summer mountain pastures, and continuing on to October or November, when the onset of winter drives them back down to the Langhe.

The rind, with its very soft bloom, seems more like a skin than a rind. The texture has slightly more crumb than the pecora version but it is wonderfully smooth and light on the tongue, and exquisitely flavoured, a cheese to savour slowly, to serve alone rather than as part of a cheese board. Occelli describes it as ready to eat when it is crying, meaning ready to flow rather than weeping copiously.

He advises against cake-like wedges; cut slices from around the perimeter instead, working gradually from the warmer and softer borders towards the centre.

The only sad thing about these mixed milk cheeses is that people who are allergic to cow's milk (top quality cow's milk as well as nasty intensively farmed stuff) will not be able to relish them.



Farm cheeses at at Neal's Yard, in Southwark, London. The single most important factor in cheesemaking is the quality of the milk Ashley Ashwood

The good cheese guide

■ The first of this year's farm-fresh goat's cheese, tupaja, with tuma d'la paja, pecora, is making its debut in Britain this week. Only a few stockists have signed up as yet. Partridges of SW1, and Selfridges, W1 in London, Bentons of Kingston-on-Thames, Surrey, and Fortnum & Mason in Glasgow.

■ To celebrate the arrival of these and other cheeses from Occelli Agriculture, introductory tastings are to be held next Saturday, May 23, in the food halls of Selfridges and Bentons.

■ Tuma d'la paja may also be found in a few London restaurants (Al San Vicenzo, Cavallino Restaurant at The Halcyon Hotel, Collection and Deptford).

It is available to cheese lovers living elsewhere in the UK by special delivery mail order service direct from the importer, Premier International (tel: 01784-477812, fax: 01784-477814).

■ Shoppers lamenting the lack of a first class cheesemonger in their area should note that Randolph Hodgson of Neal's Yard Dairy in London offers an excellent mail order service. Hodgson stocks exclusively British and Irish cheeses. You can also order a small, select range of cheese accompaniments: breads, biscuits, chutneys, olives and other oils, which help to spread the delivery charge. (Tel: 0171-407 7488 or fax: 0171-379 0400).

■ Worth noting for its supermarket distribution is an organic soft fresh goat's cheese from Wales made with pasteurised milk sold under Tesco's own label.

It can be sliced to order at the deli counter, or purchased in 100g packs. Light and fresh tasting, it is not notably goaty but very pleasant spread on toasts with marmalade, or mixed with chopped green herbs, lightly beaten eggs and fresh breadcrumbs to stuff and bake in the scooped out hollows of young courgettes.

Blending perfectionism and passion

Giles MacDonogh samples some of Portugal's best – but little-known – red and white wines

I shouldn't like to be a hog in Bairrada: life expectancy is perilously short. The locals have a well-attested passion for suckling pig, and the restaurants and road houses vie with one another in their ability to dish up a crunchy piglet.

Locals recommend sparkling wines to compliment the slightly greasy flesh of little pigs. Still, Bairrada reds and whites are a mite too serious for them: they are some of the best wines in Portugal.

Luis Pato's wines ought to go better with duck – "pato" means duck, after all. A blend of perfectionism and a passion for experiment has rightly catapulted him to fame in his native land. He makes three fascinating red wines, and some others on a more ad hoc basis.

The secret is Baga: Bairrada's mainstay black grape. With the 70-year-old vines of the Vinha Barrosa, Pato makes a silky, Burgundian Baga, of which the 1997 is highly promising with its redolence of plums and chocolate.

In spite of much younger vines, his Vinha Pan tends to be denser and tolerates more oakiness than Barrosa. Again 1997 proved an excellent year, better even than the fine 1995.

Pato's rarest and most expensive wine comes from the Quinta de Ribeirinho where he has planted Baga vines directly in the sandy soil. There he makes around 100 cases of wine in the same way as people did before the aphis phylloxera obliged virtually everyone – in Europe at least – to graft their vines on to American rootstock around the turn of the century. Pato is convinced that wines were better before phylloxera. If his 1997 or 1995 vintages are anything to go by, he may be right.

I did not taste Pato's whites, but the green grape equivalent of Baga in Bairrada is called Bical, another of those flavoursome local varieties which makes Portugal currently one of the most interesting wine-producing countries in Europe. The best Bical I tasted came from the Casa de Saima. The quantity is minute – a little over 300 cases – but its quality cannot be disputed.

Again the Casa de Saima is better known for its reds made from virtually pure Baga. The 1995s showed best here: a Reserva which exuded a little whiff or tobacco and a garrafeira (or special reserve) which is one of the best Portuguese wines I have ever tasted. It was superbly concentrated, and should last for years.

The Quinta da Foz de Arouce lies slightly outside the demarcated region for Bairrada and here the Baga lacks the *meltiness* it has elsewhere, yielding big, muscley wines of which the 1989 showed best. The owners of the estate are passionate huntsmen. Neither suckling pig nor duck will do for their

> Concentration on a single grape variety is helping local growers find their way

wines: they say woodcock's the thing.

Dão wines have always disappointed me in the past. The wines tend to hardness and have none of that alluring sweetness of fruit I associate with Bairrada. Again concentration on a single grape variety is helping local growers to find their way. In this case it is Touriga nacional, which they naturally claim comes from the local village of Tourigo. In the Douro Valley they might have another view. It forms the backbone to the "Englishman's wine": port.

Alvaro Castro at the Quinta de Saes is another experimenter of the Pato type. He farms two properties: Saes and the Quinta de Pellada using his Touriga Pure or blending it with Tinta Roriz (the Spanish Tempranillo of Rioja fame), Tinta Pinheira, Jaen and Alfrocheiro.

In my opinion the wines he makes purely from Touriga are his best: a 1996 Pellada with a herbal bouquet, or even better, his 1990 Quinta de Saes which threw off a scent of beeswax when we tried it with Senhora Castro's salt cod. The Quinta dos Roques and the Quinta das Maias are under the same ownership: a retired metallurgist aided by his former maths master son-in-law.

They too are experimenting with grape varieties and shunning the chardonnays and cabernets favoured by supermarket buyers. They have bottled pure Tinta Cão and Jaen. Their best results come from the latter, especially in the blended reservas they make under the Roques label.

Portuguese grape varieties have the added virtue of sporting amusing names. Red dog (tinta cão) is just one, two more are the white rabo de ovelha, or ewe's tail, and the esgana cão, or dog strangler. Both play a role in the Bucelas wines of Francisco Castelo Branco at the Quinta de Murta.

Bucelas used to enjoy an enormous reputation in 18th century Britain, but with the expansion of Lisbon immediately to the south, the wine region has virtually died out. Castelo Branco is an engineer who grew tired of the city and moved out to his plot of vines. The body is provided by Arinto. The quaintly named ewe's tail and dog stranglers are just the icing on the cake.

In a simple year such as 1996, the Bucelas from Murta is a lightish, refreshing white, ideal for the plentiful seafood you find in the restaurants of central Lisbon. A fine year like 1997 adds a further dimension to the wine.

■ *Luis Pato's wines are available in the UK from Unwins and Laytons (0171-388 4567). Laytons has the Vinha Barrosa at £19.*

■ *Casa de Saima stockists include Gelston Castle (01556-503012) and La Vigneronne (0171-589 6113), the Garrafeira costs around £20.*

■ *Selfridges has the Quinta da Foz de Arouce at around £12.50.*

■ *Laymont and Shaw (01872-270545) has the Quintas de Pellada and Saes wines at £6.95 to £9.95.*

■ *Quinta dos Roques and Quinta da Murta come from Winos of Oldham (0161-6529396) at £8.95 and £5.50 to £6.*

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PROPERTY

Standards that are oceans apart

Anne Spackman looks at the differences between the letting and renting experience in the UK and the US

On one side of the Atlantic they sent their agent flowers; on the other they sent a letter of complaint. The Edwards family found big differences between the letting and rental experience in the US and the UK.

Alan Edwards has worked for the Ford Motor Company in Europe and the US. When the family moved from Essex to Michigan, they let their home in England and rented a home in the US.

When it seemed likely they would be staying in America, they bought a house in Michigan – only to find he was to be transferred back to the UK. Now, they are living in their Essex home and renting out their American property.

Anyone moving across the Atlantic with their job is likely to receive advice from their company about renting homes on the other side of the ocean. The information usually covers where to look, how much to pay and how the systems work differently in the UK and the US.

But as often as not, it is the unwritten laws of the local property jungle which have the heaviest impact on people's experience. This has certainly been the case for the Edwards, who have been landlords in both countries and tenants in one.

It has been a time of contrasting experiences. While they have been sending bouquets to their American managing agents in gratitude for their service, their most recent correspondence with their UK counterparts has been in the form of a solicitor's letter.

"In England we have paid twice the price for half the service." That is how Francesca Edwards sums it up.

The main difference between the lettings industry in the two countries is that in the US it is a thoroughly professional, competitive business, whereas in the UK it is just emerging from an essentially amateur past.

It is partly a question of size. Around 20 per cent of people in the US rent in the private sector compared with just 10 per cent of the UK's far smaller population. Until recently, it was rare for English families to rent homes after their student years. Even now, it is likely to be a one-off, short-term experience.

The large growth in investor landlords, particularly in central London during the last five years, has caused the lettings industry to smarten up its act. But outside the capital – with a few honourable exceptions – it still tends to be a sideline for estate agents whose main concern is selling houses.

When the Edwards approached the main local estate agents in their part of rural Essex, the agents initially suggested their country house would command a rent of £2,800 a month. The Edwards were astonished at such a high figure but suggested they give it a go.

> 'Wear and tear clearly means something very different in the UK and the US'

In the two months before they left for the US, only two potential tenants came to view, so the Edwards asked the agents to drop the price. The house was not let until 10 months later at less than half the original figure.

Given the far lower price, the Edwards asked the agents to make it part of the letting agreement that the tenants be responsible for the upkeep of their garden and swimming pool. The normal deposit of six weeks' rent was paid by the tenants and the agents charged a lettings and management fee of 15 per cent plus VAT.

When the Edwards returned to their house they found the lawn indistinguishable from the vegetable garden and the swimming pool in need of a complete acid wash. There were other minor problems, such as a broken shower head, yet what upset them most was to find the plugs for the washing machine and vacuum cleaner had been cut off. "It felt like an act of vandalism," Francesca Edwards said.

The tenants had left a month before the Edwards returned and the agents had given them back their full deposit. The agents said they felt the house had only suffered reasonable wear and tear. "'Wear and tear' clearly means something very different in the UK and the US," said Mrs Edwards.

As tenants in the Michigan suburb of Bloomfield Hills, the Edwards said it was part of the culture for tenants to leave their rental house in tip-top condition – or forfeit part of their deposit. This meant not just a full clean – carpets included – but touching up paintwork as well.

Then, two months after buying a Michigan home Alan Edwards was posted back to Europe. They decided to keep the US house, as they might one day return.

Their US letting and management agents, D&H Income Property Management, showed four potential tenants around the property in the first week and agreed a rental of $3,000 a month.

"I was asked by the agent to go round the house and state everything I was leaving and make a note of anything unusual or difficult. For example, I pointed out how to clean the wood floors. I felt I was being asked the right questions," said Mrs Edwards.

Shortly after the family returned to the UK, the boiler in their US home broke down. The managing agents not only found quotes and fixed it, but even wrote, on their own initiative, to the insurance company, which contributed $800 towards the cost. They have also dealt swiftly with a shower leak.

"I feel I am getting a good service – plus a bit above and beyond," Mrs Edwards said, "and I am only paying 10 per cent. I sent them flowers to say thank you. I can't imagine anyone feeling moved to do that in England."

Renting – an unofficial guide

Deposits

Tenants in the UK pay between one and six weeks' deposit, with four to six weeks being the norm. Francesca Edwards said she would advise UK landlords to make sure that the tenants' deposit could only be returned with their personal approval.

In the US, tenants can expect to pay a six-week deposit, though terms vary from state to state. Deposits are covered by a Security Deposit Act, which means clients' money is protected – which is not always the case in the UK. Only 40 per cent of UK agents are members of Arla*, the professional lettings association, which requires all its members to be bonded.

Fees

In the UK, agents normally charge 10 per cent for a lettings service and 15-17.5 per cent for lettings and management – plus VAT.

Most agents deduct their fee from the monthly rental; in central London they sometimes take fees up-front instead.

In Michigan, landlords normally pay one month's rent to the agent for letting the property and 10 per cent for the service thereafter. In cities such as New York, the fees are likely to be around 15 per cent for upmarket properties.

Stewart Segal, president of Sotheby's International Realty, says many US agents see their lettings and management operation as a marketing tool which helps attract new sales business.

Complaints

Landlords and tenants who feel they have been unfairly treated in the UK can pursue their complaints in the small claims court. However, they will be liable for their own legal costs. If the complaint is against an Arla agent, they can contact the association, whose disciplinary committee can recommend – but not order – that the agent offer compensation.

In the US, people with complaints go straight to their lawyers – as do agents pursuing bad tenants for money or damages. Francesca Edwards believes the fear of a lawsuit is what makes everyone behave in the US.

Wear and Tear

Agents in the UK expect a property to be returned in a poorer condition at the end of the rental and see it as the landlord's duty to smarten it up ready for the next tenant.

"I don't know of any tenant who has offered to touch up the paintwork," says Robert Orr-Ewing of Knight Frank, who is on Arla's national council. Knight Frank carries out quarterly checks to ensure properties are being maintained; some agents make checks every six months.

In the US, the agent is likely to take pictures of the property, including key items of furniture, before the tenancy begins. They will expect small incidents of damage, such as marking a kitchen counter-top, to be repaired at the tenant's expense. In both countries, the higher the rental, the higher the standard of behaviour expected.

Services

Managing agents should have a maintenance contract to provide plumbers and electricians to tenants when there is a problem. It is worth checking this with an agent before hiring them. If you are using a small agent, it is also important to check they have a back-up person when the main letting agent is away.

Large firms in London have speeded up their services in recent years, partly as a result of pressure from overseas tenants. "They are not afraid to use their companies as a lever," said Robert Orr-Ewing, "which helps to concentrate the mind."

While he was speaking to me, a tenant called to say he wanted a plumber within 15 minutes. "We are using people for perhaps six jobs a day, so when there is a real emergency they will drop everything," he said. By the end of our 15-minute conversation, the plumber had rung to say he would be there in five minutes.

■ *For Arla's guide to Trouble-Free Letting, send an SAE to Arla Administration, Maple House, 51-53 Woodside Road, Amersham, Bucks HP6 6AA.*

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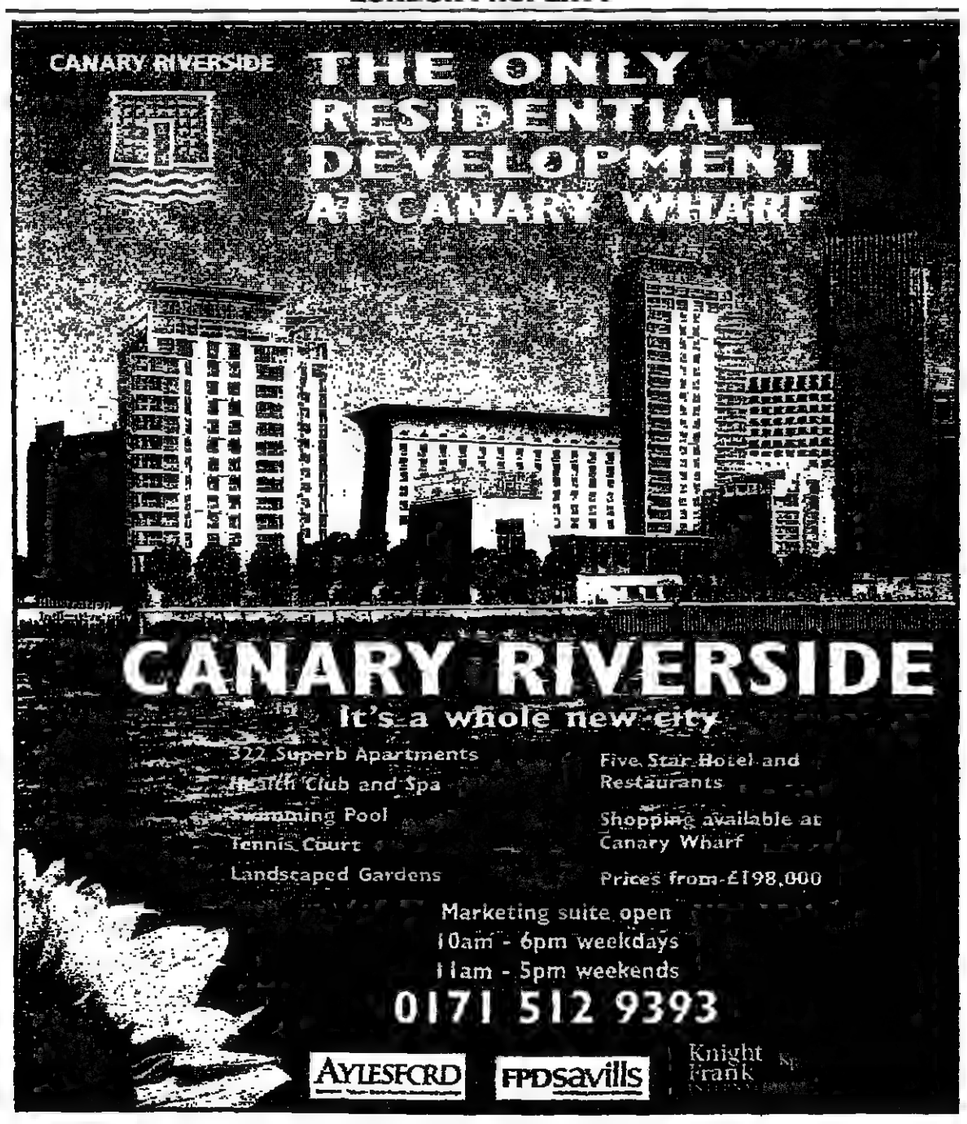

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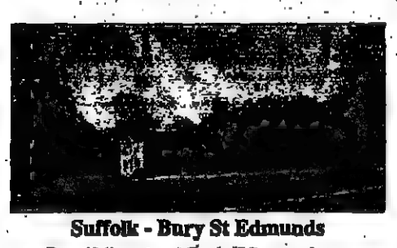

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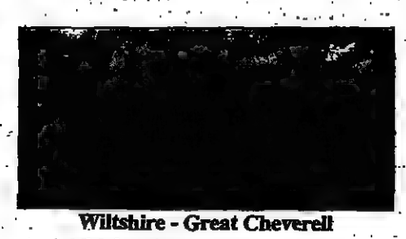

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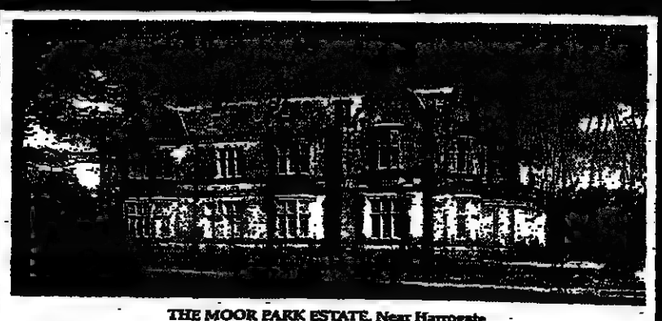

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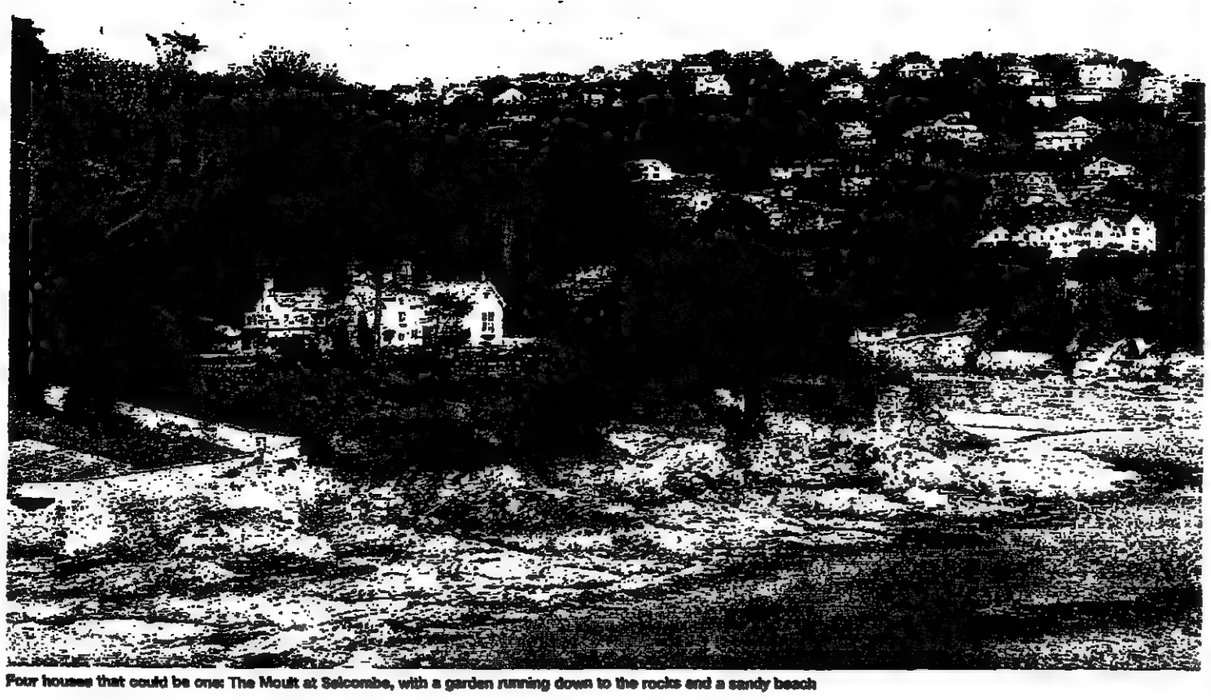
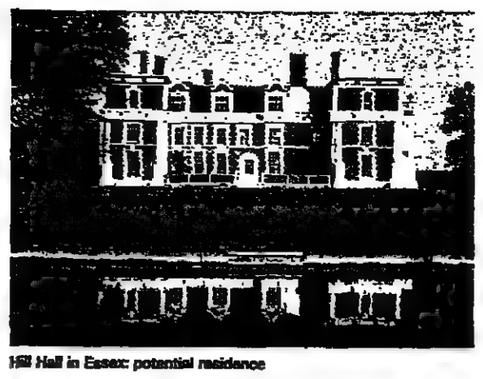


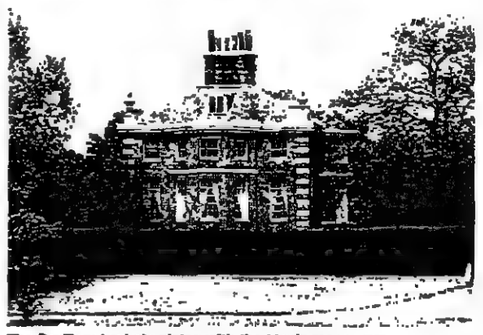
Four houses that could be one: The Moult at Salcombe, with a garden running down to the rocks and a sandy beach



Hill Hall in Essex: potential residence

Ruthventfield House: a snip to English eyes

Gramercy Boathouse: with its own quay



The Pavilion: keyhole plates with the king's monogram

On the Move

The right road for some

Gerald Cadogan looks at how local factors are affecting prices in Scotland

The Scottish property market is mixed. Fife is sluggish, probably because of high local unemployment, but country cottages are selling well, says the latest report from the Royal Institution of Chartered Surveyors in Scotland.

The hottest spots are the West End and the New Town in Edinburgh, and Hyndland and other parts of Glasgow.

Elsewhere, road improvements have helped local markets. Thanks to work on the A96 there is more demand around Kintore and Blackburn, north-west of Aberdeen, and extending the M77 has had the same effect south-west of Glasgow around Kilmarnock and Stewarton.

But compared with England, Scottish houses remain excellent value. On Iona in the Hebrides, where St Columba founded a monastery in AD563, Alexander Dawson in Oban (01631-563901) is selling Iona Cottage near the pierhead (for the ferry from Mull).

It is a remote part of the UK, but many people visit the island and its (Christian) Iona Community in spring and summer. "Being pilgrims," says the agent, "they do not harm the spirit of the place." With four bedrooms, the cottage is ideal for bed and breakfast business.

In the Scottish system, the agent asks for offers over £160,000 with a closing date of May 27.

On the east side of Scotland, another snip to English eyes is a solid family residence called Ruthvenfield House at Huntingtowerfield by Perth, where Bidwells (01738-630666) asks for offers over £315,000.

And in Edinburgh, Rettie (0131-220 4160) lists two Georgian terrace houses: for offers over £195,000 for 11 Hailes Street; or over £290,000 for 13 Warriston Crescent, where the garden backs on to the Water of Leith, Edinburgh's river.

By the Thames

Living by the Thames always commands a premium, especially if the house is the only surviving pavilion of four that Sir Christopher Wren built in 1700 in the grounds of Hampton Court on the orders of William III.

They were intended to be banqueting houses, but the royal courtiers used them for gaming and assignations until they fell into disrepair and Queen Victoria had three pulled down.

The Pavilion, however, is in excellent condition and would make an unusual family house, at a rent of around £15,000 a month through Knight Frank in Esher (01372-464496). Many of the doors still have keyhole plates with the king's monogram and the original keys.

Upstream, Islet Park House, near Maidenhead, is an Edwardian pile across the river from Cliveden, where Edward VII is said to have stayed.

A first-floor flat in the house is available from Andrew Milsom in Cookham (01628-531222) for £375,000 for a lease with 67 years to run. The communal gardens run down to the river.

Waterside

In Devon, two waterside houses have very different prices:

■ The Moult at Salcombe is a large house, painted pink and listed grade II, with four acres, including a palm tree, walled garden and thatched summer house, running down to the rocks and a sandy beach.

Now four houses, it would be easy to restore as a single dwelling in a glorious position – which explains the price of £1.2m through Hamptons (0171-493 8222) or Jackson-Stops in Exeter (01392-214222).

■ On the river Dart near Dartmouth, Gramercy Boathouse has been converted into a two-bedroom cottage, with its own quay and a running mooring – and fishing from the living room balcony. The price is a modest £70,000 leasehold from Fulfords in Southernhay (01392-412007).

Black and white

Paisley Cottage at Selsey in West Sussex is a striking Edwardian frippery of a Todoresque design in black and white. Besides easy access to the beach, and palm trees in the garden, it too has royal ties.

Queen Mary stayed in July 1914 when George V was inspecting destroyers in the English Channel. Jackson-Stops in Chichester (01243-786316) asks for offers over £275,000.

Once a prison

Hill Hall is a superb Tudor house at Theydon Mount in Essex, which English Heritage inherited as a ruin from the Department of the Environment in 1984. It was last in private use in 1932 and, after the second world war, became a women's open prison until 1969 when a fire destroyed the main block.

After spending £2m on restoring the roof and chimney stacks (which suffered in the hurricane of October 1987), and conserving its Elizabethan wall paintings showing Cupid and Psyche and the life of Hezekiah, EH has commissioned Knight Frank (0171-629 8171) to find a new owner with suitable proposals on how to use this magnificent house, to be submitted by June 24.

Residential conversion is a possibility. EH suggests a 125-year lease at a peppercorn ground rent, after payment of a premium and proper completion of a programme of works to include restoration of the great hall as a proper setting for the Elizabethan chimney piece.

The 39 acres of grounds have a lake, and two canals near the house are set at right angles. The house, of 42,750 sq ft, is near the M25.

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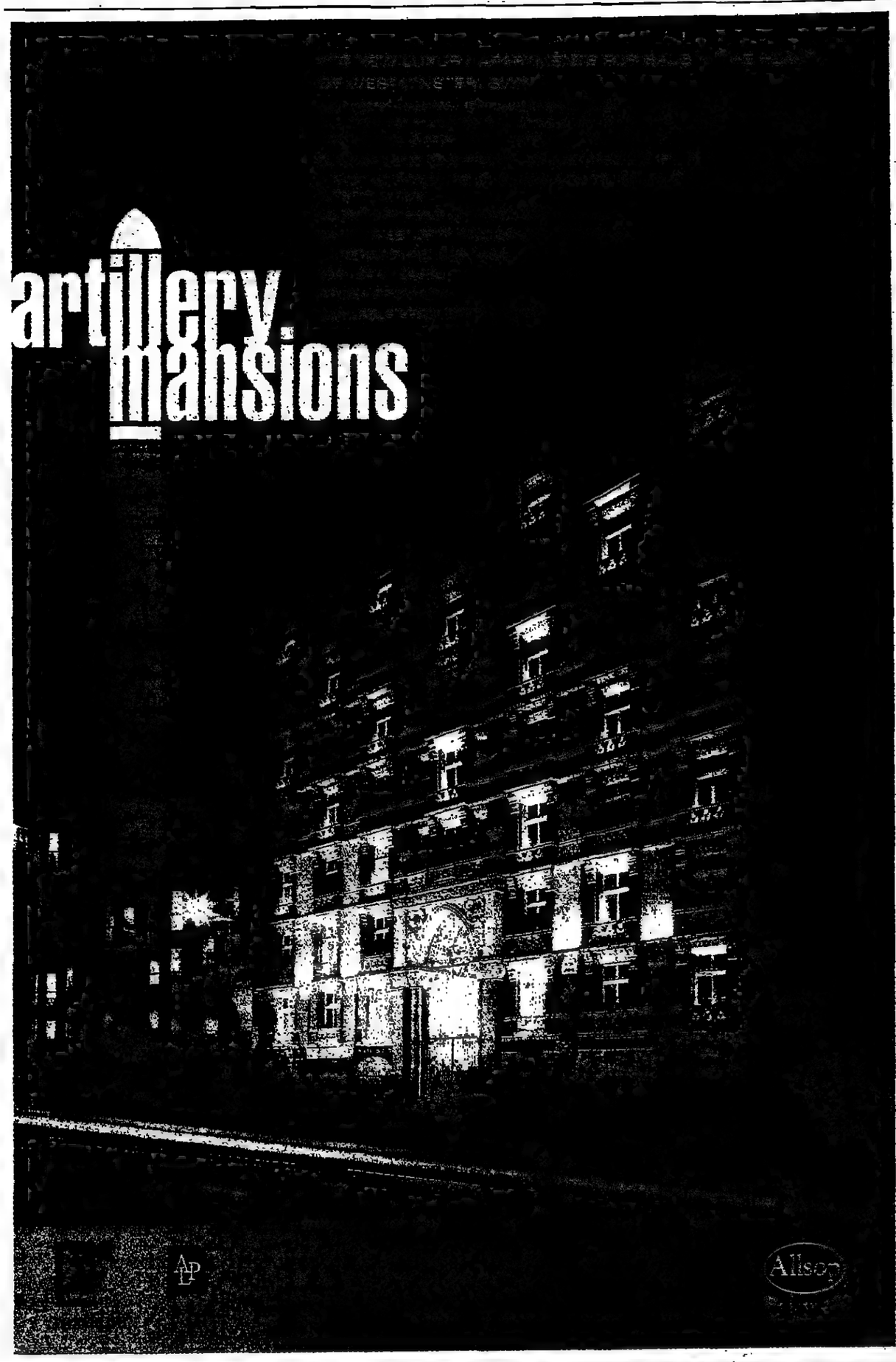

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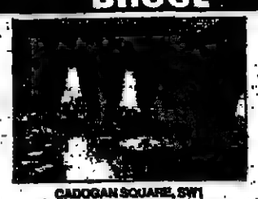

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EDUCATION

How do you say 'sick as a parrot'?

Simon Targett reviews some unusual language courses available – including one for football fans going to the World Cup

The title sounds as if it was coined for an Ealing comedy script. But "French for football fans", it turns out, is an entirely serious language course which BBC Education is targeting at the England soccer supporters who will be crossing the Channel next month for the World Cup in France.

Soon the patois of the English terraces could be heard in vernacular French. Imagine, if you can, British fans bewitching the World Cup host nation's fans with the gallic equivalents of "Sick as a parrot", "You're not singing any more", and, just in case Alan Shearer is on form, "We are the champions", the chorus of the Queen pop hit which still features in the musical entertainment at English football grounds.

Of course, cynics will say the dialect will lose something in translation, and yet others will wonder whether French spectators would be any the wiser after hearing the famous chants in their native tongue. But for those English football fans who want to give it a try, the course will be available on the internet.

The BBC does not have a monopoly in whacky French courses. Next month Kensington and Chelsea College offers a French course for those buying a house in France and a "French for running a home in France" course the following week.

For the unfussy Francophile, there are myriad conventional courses, pitched at every level from "holiday" to "advanced conversation" and understanding modern theatre.

The Institut Français, the official French centre of language and culture in London, runs summer courses under the banner "give your French a suntan".

There are crash courses and "French express" courses, each lasting 30 hours during July and August, and costing £190. There are also short workshops, at £82, on topics including "news in French", the "panorama of French song" and, for the late-night film buffs, *Soirées cinéastes*.

Other governments run official language centres. The Instituto Cervantes offers "Spanish at all levels", and special summer courses, costing £190, are held between July and September.

The Goethe Institut lays on summer German courses: a 60-lesson package costs £250 and a 36-lesson package, offered in the evening, costs £148.

These core European languages tend to be the most popular for travelling business people. This is why City University's business school has devised a series of language courses – French, German and Spanish – for MBA students and City executives.

One option is the "language plus" module, costing £395, which features 10 one-to-one tutorials and focuses on the business environment.

> Many suffer from 'sixth chapter syndrome': they drop out when it gets hard

Another, which offers the chance to expand existing language skills "without encroaching too much on limited leisure time", is "dial a language" conversation practice: 15 20-minute sessions for £185.

Like French, the rival European languages have their eccentric courses. Hillingdon adult education college in Middlesex, for example, has a course on "Spanish airports and how to survive them".

But greater novelty value can be gained by studying one of the trendy languages such as Arabic or Mandarin. The drawback is that they are far harder to pick up, and require more time than most amateur linguists are ready to devote voluntarily.

"Popular European languages like Spanish and Italian get a lot of starters," says Jennifer Laurie, of King's College London, ranked in the top 10 in the FT's survey on Britain's best universities. "But they suffer from 'sixth chapter syndrome': as soon as it starts to get hard, people drop out."

Arabic, on the other hand, is "hard from the start", and people realise the course will be no saunter.

The college is running four two-day intensive courses: spoken Arabic, journalistic Arabic, Koranic studies and Arabic script for beginners. These cost between £100 and £200.

Judging by enrolments, Arabic "is the language of the moment", says Laurie. "We have a real mix – military strategists, business people, pilgrims preparing to go to Mecca, and even the wife of a Tory lord."

The tutor at King's College London is John Harding, a former soldier who used to teach servicemen training the forces of the sultan of Oman. After leaving the army, Harding provided language training to Saudi Arabia's under-16 football team.

He does not teach Arabic for football fans, but does offer "courtesy and survival" language courses, outside the King's College programme.

An alternative venue is the Arab-British Chamber of Commerce, which points out that Arabic "opens the doors to over 200m people". The courses range from "one-day survival specials" – which cover essential etiquette – to one-to-one tuition, at £15 an hour.

King's also offers Mandarin, while Thames Valley University runs an intermediate course in Cantonese.

And for the really adventurous, Westminster Adult College runs a six-week course in "colloquial Mandarin".

Mandarin

Beyond the small fruit

Simon Targett on how Chinese is becoming mainstream – and growing in importance

Say the word "mandarin" and most nine-year-olds will think of a small juicy fruit similar to an orange but easier to peel. Not, though, children at Clifton College Preparatory School in Bristol.

For the last two years, some youngsters at the school have been taking elementary classes in Chinese. "Mandarin is the best gift you can give any young person today," says Bob Acheson, the school's headmaster, echoing the weighty opinion of George Soros, the renowned US financier.

This is because China's growth prospects are enormous. Following recent political changes, it could become the world's leading economy in the 21st century.

Acheson, an Oxford-trained historian, was alerted to the importance of Mandarin during a recruitment trip to east Asia. "Many parents, who were business people, came to me and said, 'You ought to be offering Mandarin because it is the future'."

Now, 18 pupils are studying the Mandarin – some of them Anglo-Chinese, some British – guided by their parents who are mainly business people and "think Mandarin is a more important commercial language than French or German".

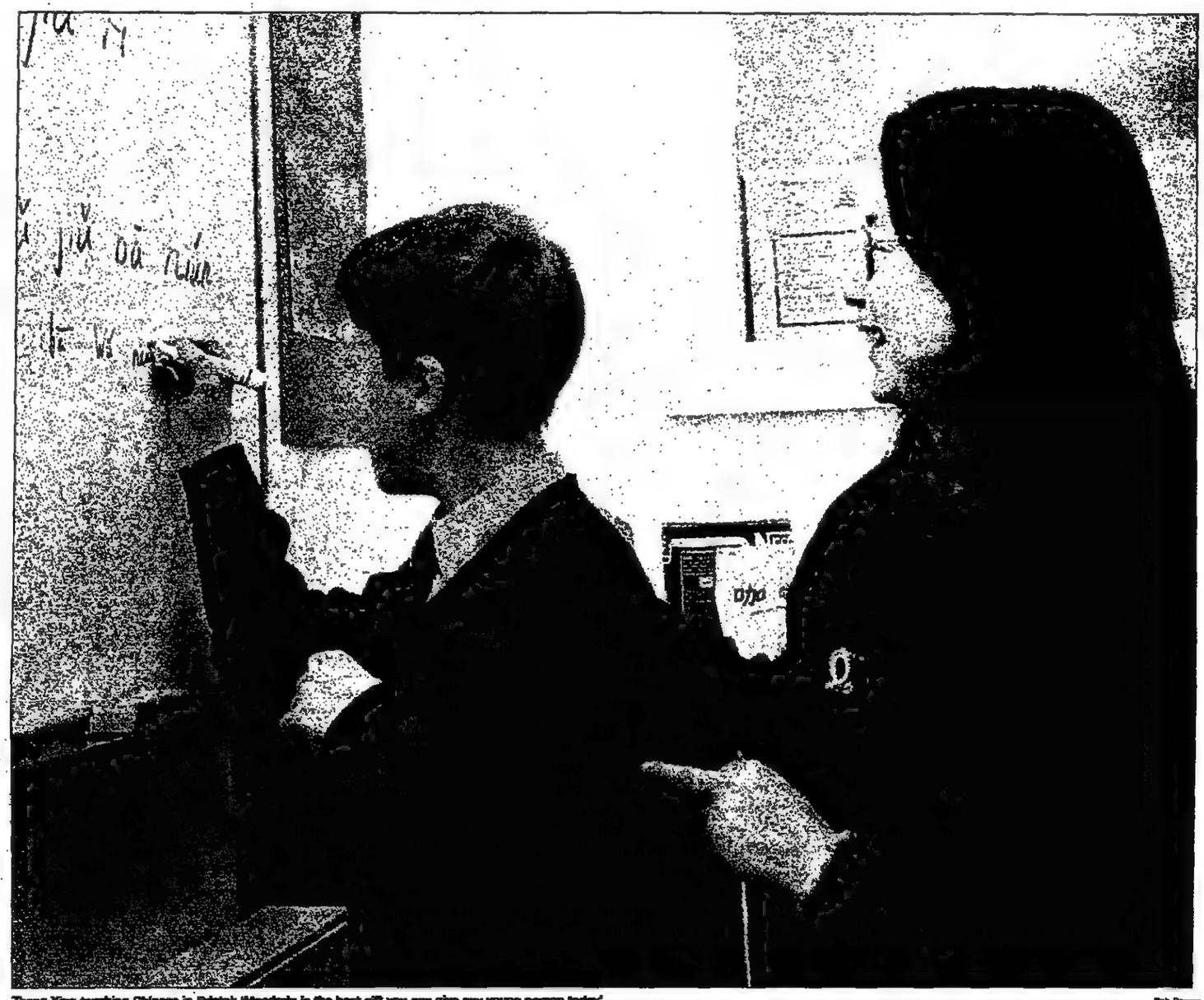
Typically, they have four lessons each week, which make a total of three hours, focusing exclusively on speaking Mandarin. "It is slow and laborious," admits Acheson, even without the added burden of teaching pupils to write the complex characters.

The Chinese teachers, who travel to England and stay for one year, import their own culture to Clifton, which is sited near the main college in a set of Victorian houses. "They bring with them a very different world view," says Acheson, "and as a lesson in application, they put British teachers to shame."

The Mandarin project remains small, but later this year, Acheson is hosting an official Chinese delegation, and hopes to win Foreign Office support for Chinese teachers to be given three-year visas.

At the moment, a Chinese teacher can only stay for a year, which can cause disruption in the classroom, especially for young children who grow attached to particular teachers.

If teachers could stay longer, other schools might take up Mandarin. For now, it remains an obscure language in Britain, but, says Acheson, "it would be good to think that a generation of children might grow up to see Chinese as normal".



Zhang Ying teaching Chinese in Bristol: 'Mandarin is the best gift you can give any young person today' Bob Bowen

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SPORT

Right attitude – and altitude: keeping up with the Kenyans is no easy task; they train harder, and higher, than most

Jean-Pierre Durand

Distance running

Domination breeds dissent

Pat Butcher wonders if Kenya's all-conquering athletes deserve to be victims of burgeoning antipathy

Success breeds admiration and emulation in some people, envy and antagonism in others. Unfortunately, for the all-conquering Kenyan distance runners, there has been too little of the former of late, and all too much of the latter. A decade of dominating the distance running events, along with the occasional neighbouring Ethiopian, notably Haile Gebreselassie, has given rise to increasingly loud murmurs of dissent. Some have openly accused the Kenyans of drug taking, others have signalled the intent on restricting their participation in races.

It began four years ago when leading promoters on the burgeoning US road race circuit started offering more prize money to domestic runners than foreigners, in an attempt, they said, to motivate Americans to compete seriously against, mostly, Africans. But, as Godfrey Kiprotich said recently: "Last year I won a race and got $2,500. The first American, far behind me, got $5,000. How can the American be motivated to run better?"

Alberto Salazar, the last great US male distance runner, agrees with Kiprotich, citing his own experience in the 1970s of having to compete against the first Kenyans offered scholarships in the USA. Younger than Henry Rono and Samson Kimwomba, both world record-holders, Salazar says he was easily beaten by them in his early college years. "But I gained on them every year, and the year after I graduated I was the top-ranked marathoner and the second-ranked 10,000 metre runner in the world. Since then, I've always believed that one of the best ways to improve your running time is to compete against the best."

Yet some US race directors intend going a step further. Bill Reef of the Bolder Boulder event in Colorado has limited Kenyan entrants to three in his race on May 25 (Kenyans took six of the first eight places last year, and eight of 10 the year before). Reef's complaint is that sponsors and race supporters cannot identify with Kenyans, who do not give upbeat interviews, like their American counterparts, and thus contribute to the promotion of the event. Reef has justified his stance with: "It's our country, our event, our money. American sponsors want American winners, or at least Americans among the top finishers."

There is a serious debate to be had on this subject, as Moses Kiptanui admitted to the Financial Times last summer when we talked to him about rumours of European track promoters' antipathy towards too many "anonymous" Kenyans in grand prix meetings. Kiptanui recognises that professional sport requires promotion, and that shy Kenyan country boys, unused to western mores, and who may not speak English, well need to be better served by their, mostly European, managers. But Kiptanui said then, as he said of this recent controversy: "This is beginning to verge on racism."

Reef's attitude has been widely derided in the US. A whole programme of the television series "Politically Incorrect" was dedicated to the issue. And an editorial in the New York Times accused him of "crude commercial protectionism".

However, that newspaper's athletics correspondent had already contributed a piece on the morning of the New York City Marathon last November, which suggested strongly that one of the leading coaches of Kenyan marathon runners was either blooddoping his charges or giving them erythropoietin (EPO), both of which practices significantly improve performance in endurance sports.

Unlike many other areas of suspicion in athletics since Ben Johnson and the dissolution of East Germany, this accusation has no foundation other than consistently good results, and the fact that the coach in question is a medical doctor. But, it is in keeping with the spirit of the age.

In simpler times, runners employed more naive aids to enhance their performance. Sprinters ran in sand, or with weights on their shoes, or in a harness pulling a heavy roller behind them, the theory being that, liberated from these restrictions, they would fly to the finish line. Distance runners were equally resourceful. Some would wear two or three track suits, in order to sweat their way to the verge of anorexia, and a better power-to-weight ratio.

> In simpler times, runners employed more naive aids to enhance their performance

Others, like Dave Bedford, trained in army boots with a rucksack full of books. The great Emil Zatopek personalised his resistance training, by running with his wife, Dana on his back. Since she was an Olympic javelin champion, that was probably a safer alternative for the Bouncing Czech than any incentive that she might consider.

The Kenyans too have their gimmicks. They already begin with a huge advantage, which is the altitude of the Great Rift Valley, where most of the more successful runners come from. Conditioning the body under the stress of thinner air means that when the runner goes to sea-level to compete the effect is similar to turbo-charging a car. But the most recent innovation is a refinement of Salazar's philosophy of "competing against the best" – the setting up of permanent camps for communal training.

Running is a rudimentary sport, as rudimentary as life in rural Kenya, doubtless one of the reasons why the two go so well together. It is ironic to listen to Kip Keino, the first great Kenyan champion, 10 years after Zatopek, talk about grilling his foreign contemporaries on their training methods. "Whenever I travelled abroad, this was my priority. I simply did not know. I would go to the training track with my stopwatch, and time them. I needed to learn as much as possible." Now the foreigners come to Kenya.

Dieter Baumann of Germany has been training there since before he won the 1992 Olympic 5,000m. He had just left when we arrived for a visit in late January, at the same time as Jane Salumae, the Estonian marathoner. These camps have grown out of the practice of assembling the best Kenyan cross country runners to train together for a month prior to the world championships. The Kenyans have won the senior men's team title (and most of the other) titles) for the last 13 years

During a week of travelling, from the Nandi hills on the eastern fringes of the Rift Valley, to the Cherengani hills, close to the Ugandan border, two experiences particularly underlined the reasons for Kenyan domination. The first was a training run from the floor of the Rift Valley, which is already 1,500m above sea level. A 400m jog is sufficient to remind a new arrival of the breathing difficulties when running at altitude. Four local athletes, admittedly world-class, ran 23 kilometres on a rutted track, every step of it uphill, finishing in rain clouds at an altitude of 2,800m. Their time of 85 minutes would be good for a world-class woman athlete running on the flat at sea level.

A week later, the hitherto unknown Philip Tarus finished 11th in the Armed Forces Cross Country, behind a string of luminaries, such as Paul Tergat, Paul Koech, Ismael Kirui and Tom Nyariki. Tarus then drove for six hours from Nairobi to Eldoret, the heartland of the Kenyan running community at 2,100m above sea-level. At 9.30 the next morning, he won the Eldoret Half-Marathon in 63min 02sec. This is over one minute faster than has ever been run at altitude.

It may well be that some Kenyans take drugs, although given the spartan nature of these camps, and the close communal living, it would be hard to keep the secret for long. Such conditions in remote rural areas do not sit easily with western athletes accustomed to sophisticated creature comforts. So catching up or even keeping up with the locals is not going to be an easy task. Then again, the Kenyans have another unbeatable gimmick. They train harder than anyone I have ever seen.

Michael Smith

A study in black and white

I am obsessed with Newcastle United. On match days I wear black and white underpants in the hope that it will bring the team luck and I exhort my children aged one upwards to wear the United strips I have lovingly bought for them.

Today, then, should be one of the big days of my life. We are in the FA cup final for the first time in 24 years and have a chance, albeit slim, of carrying off a meaningful trophy for the first time since 1955, the year before I was born. Yet somehow it is difficult to get excited. I am not even sure I would mind if they lost.

Kenny Dalglish is to blame. He may be the most successful manager in post-war British football but he made his name before he arrived at Newcastle last year and since then he and the team he has fashioned have produced some of the most staggeringly boring soccer this nation has ever witnessed.

They have drawn 0-0 too often in the Premier League this season and finished near the bottom. In the unlikely event of them taking the lead in a match, they pack the defence. Invariably such tactics end in defeat. So Dalglish has shown himself to be both dull and incompetent.

Compare and contrast with the majestic side created by Kevin Keegan who left the club last January for reasons that still puzzle me and who, according to my recurring dream, will one day return to lead us to glory.

In his five years managing the club, we fans could hold our heads up high as he exhorted his superbly gifted players such as David Ginola and Faustino Asprilla – now both sold, of course – to play flowing, entertaining football and, above all, to attack. We had the leakiest defence around but we won most of our games, we finished high in the league and people loved us.

The day Keegan signed Alan Shearer for a world record fee of pounds £15m will remain in my memory for ever. I was bombarded with messages of congratulation from my colleagues at work, many of whom had heard me talking with enthusiasm – if a trifle dully – about my obsession. At that time Newcastle were looked on favourably by fans of almost every other team in the league.

The same people had commiserated with me when we were beaten 4-3 by Liverpool in a match crucial for the championship and described by commentators as the perhaps best of the decade in English football. Newcastle had led through most of the match but their insistence on maintaining the attack – their so-called cavalier tactics – cost them the match in the last, horrifying, tear-filled minute.

Dalglish made it plain from the start that his authoritarian regime would not tolerate such frivolity. At first it seemed to work. The football was not pretty but the team finished second in the league last season and we could live with it.

When things started to go wrong early this season, loyalty dictated that I and many other supporters kept our darkest thoughts to ourselves. But I knew things were serious when I heard the description of a conversation between one of my best friends (eccentrically a Sunderland supporter) and Little Keith, one of our circle and a Newcastle fan.

"Rob," he had said in the early hours of a morning after a night of heavy drinking, "I need to talk to you." There was a long silence as Rob braced himself for the worst, an impending death perhaps or a serious financial difficulty. Not exactly, Keith, it seems, was unable to understand why Dalglish was adopting such negative tactics, although when it came to the crunch the pain was too much and he could not bring himself to talk about them.

Since then things have deteriorated on and off the field, with Newcastle plummeting in the league, two of its directors resigning after insulting Newcastle supporters and Geordie women – whom they labelled "dogs" – and Dalglish incurring the rest of the country's enmity for his high-handed treatment of non-league Stevenage in an earlier cup round.

> Dalglish's team has produced some of the most boring soccer this nation has ever seen

It is ironic that we have sunk to our nadir as we prepare for a final with an Arsenal club that Newcastle fans and others have long derided for their unwatchably boring football. Now, the north London club, already league champions, are the ones everyone wants to watch. Incredibly we seem to have swapped roles.

Arsenal fan Nick Hornby wrote his best-selling book, *Fever Pitch*, about the torture of supporting a club which had "hilariously useless" players and, in the author's surreal world, never seemed to win anything

This at a club which in the last 40 years has won the league twice and the cup three times and one year won the double. If Hornby really wants to know what it is like supporting a set of losers, he should try switching his allegiance to Newcastle.

Mind I would not swap places with him. However awful they are I could never stop supporting Newcastle. And, anyway, I know that, one day, Kevin Keegan will return. Don't ask me how. I just know it.

Rowing

My new life as one man in a boat

Keith Wheatley on why Olympic gold medal winner Greg Searle now prefers going it alone

Greg Searle presents a solitary figure sculling down the Thames at Putney. To move from the closest sporting partnership imaginable – winning Olympic medals with your brother – to the loneliness of the single-handed rower looks like a significant and tough decision.

"I owed so much of my gold medal to Johnny and it's a real challenge to be trying to do it on my own," admitted the younger Searle. When they unexpectedly won the 1992 Olympic gold medal in the coxed pairs, Greg was undeniably the junior partner. Aged just 20 he was three years younger than Johnny, who at that time had just finished a law degree at Oxford.

Greg had failed to get into what he calls "a proper university" and was beginning a somewhat unsatisfactory career in quantity surveying. "Had Johnny not been around I wouldn't have been at Barcelona. He dragged me up to a level where we could race at the Olympics. It was the best thing in the world to win a gold medal with Johnny, in all ways. The day of winning it was awesome," recalled Searle.

At the end of this month at the World Cup regatta in Munich, he begins a meticulously planned 24-month campaign designed to peak with a solo gold medal at the Olympics in Sydney. "My goal for this season is to be top five in all three world cup races and then go on and win the world championships.

"I'm still on the steep bit of the learning curve, I think. Johnny and I were always really good at focusing for the big one and that seems to have carried on because I pulled out a really good result to come third at the World championship last year at my first serious sculling event."

For Searle, 1996 was a turning point. He and his brother rowed in the coxed four at Atlanta. Another gold medal looked on the cards. However, an Australian crew exploded from nowhere (rather as the Searle brothers had done at Barcelona) and left the Britons in third place. A disappointed Greg briefly contemplated premature retirement before discovering the joys of the single seat.

"It seemed like a natural thing to go off and do the single although I hadn't talked to any of the other guys about it, not even Johnny. The biggest revelation is how much I've enjoyed being in the boat on my own.

"When I go out to race it's just me, you're not going to let the side down. The pressure's off. It takes so much stress out of the situation to be in total control and do what you need to when it suits you.

"I thought that training would be mega-dull out there on your own but it's actually no more boring that going up and down watching the back of someone else's head. You don't have much of a laugh sitting in a line going up and down the river."

On the tideway, sculling has always possessed a certain technical mystique, possibly cultivated by those athletes devoted to the twin-oar discipline. The sport has certainly had its share of eccentrics, not least in Peter Haining, the best-known British sculler prior to Searle's arrival.

"I'm not very comfortable with that kind of image, although Peter is great sportsman," said Searle, who blitzed his older rival in early May competing in the Winfield Cup, a single sculls race held since the last century over the University Boat Race course on the Thames.

> The biggest revelation is how much I've enjoyed being in the boat on my own

Haining had won the event in 1994/5/6. "The top scullers in the world now have come out of crewed boats. In the past in this country it was guys who didn't make the rowing team who went towards sculling," said Searle. "We haven't won a Olympic medal in it since 1976."

What gave sculling a new lease of life after Atlanta was a radical revision of the Olympic rowing schedule that dropped coxed pairs and fours. With six seats gone from a previously 20-man squad, it was time for the ambitious to look around. While Johnny Searle directed his efforts towards a career as a City lawyer, Greg headed for the blue-collar end of the sport.

"In Britain sculling has been the poor relation to rowing. If you were an up and coming youngster you'd always be directed towards a crewed boat. The authorities in rowing never pushed money towards sculling until the change in the Olympic programme."

The technical changes to overcome were considerable, even for a world-class oarsman with all day to train. Harry Mahon, a New Zealand-born coach who also trains the Cambridge squad has been working with Searle since last year. "The main thing I've had to do is slow down my movements in the boat. I used to use aggression and strength more than timing and awareness and that doesn't work in a one-man shell," explained Searle.

"Harry has turned me from John Daly into Tiger Woods. My left shoulder is over-developed from years of rowing with a single oar on my right side. I have to work at the gym on developing my weaker side. In the boat it's a technical thing rather than purely strength."

Off the water, Searle has left the building sites and begun working part-time as a trainee with former swimmer Adrian Moorehouse's Lane4 management consultancy. The group specialises in management coaching and behavioural development.

The relationship between the two gold medallists began when they shared a flat at the Barcelona Olympic village. Moorehouse had been the glory-boy four years earlier in Seoul and acted as mentor and guide to the dazzled 20-year-old rower.

"Adrian tried to fill me in on how many people were going to want a piece of me for different reasons. He was a fantastic help in how not to make a complete idiot of myself," said Searle, who has now been working as a motivational and training consultant with some of Lane4's clients for nearly a year.

"I know a lot of successful people in the sports arena and there's not many around who can do this kind of work successfully," said Moorehouse. "He's not just arriving somewhere like a star and showing off his gold medal to the clients. We're not in that type of business.

"You have to be more interested in people other than yourself and that doesn't always fit with a top sportsman's psyche. Greg has it and it's very rare."

Searle's employer has another advantage to offer him: "We know what it's like to be going for a medal and we're determined to support him all the way to Sydney," added Moorehouse.

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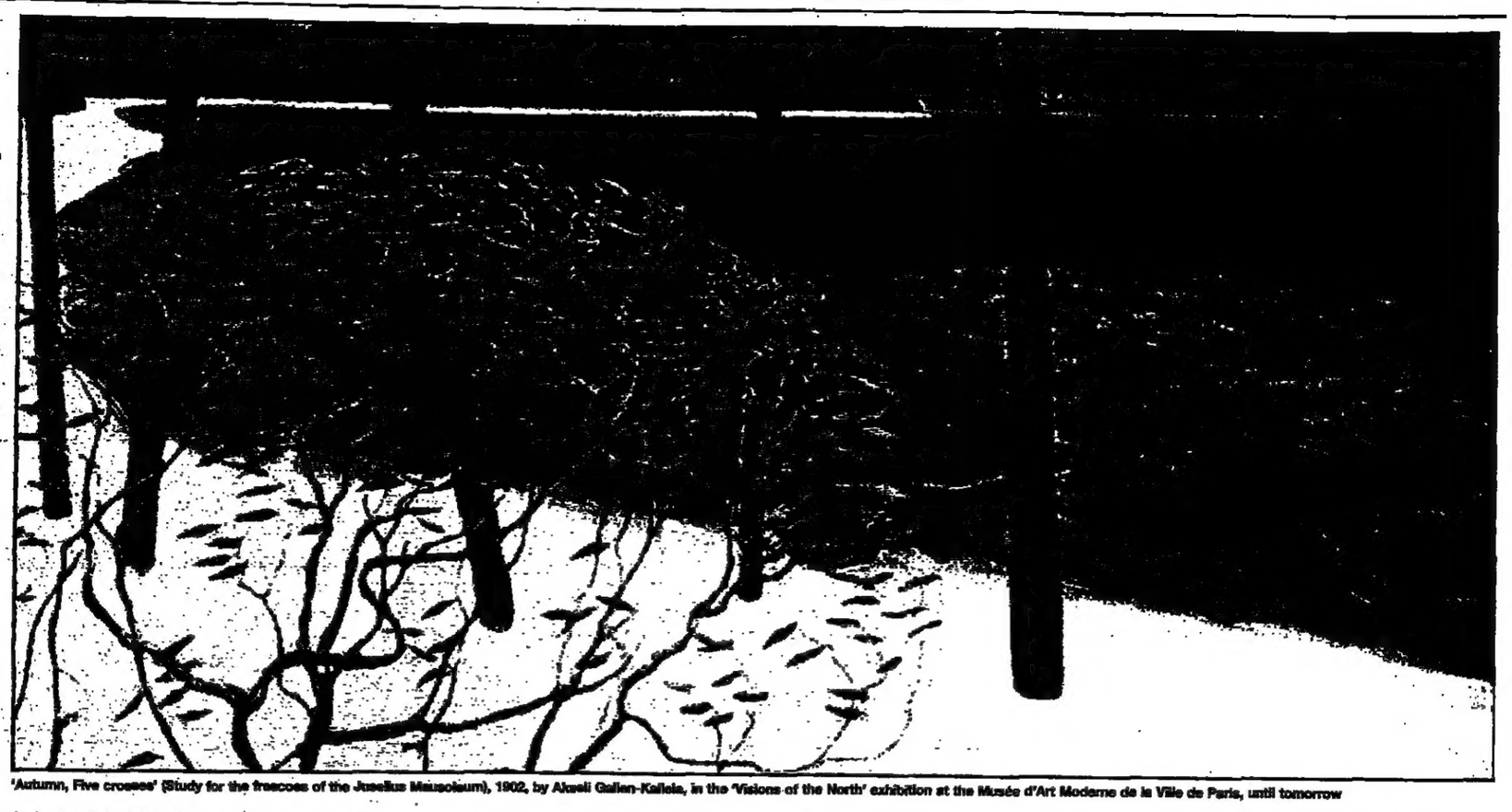
What's on around the world



'Autumn, Five crosses' (Study for the frescoes of the Juselius Mausoleum), 1902, by Akseli Gallen-Kallela, in the 'Visions of the North' exhibition at the Musée d'Art Moderne de la Ville de Paris, until tomorrow

■ AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Tosca: by Puccini. New production by Nikolaus Lehnhoff with a cast including Bryn Terfel. The conductor is Riccardo Chailly; May 17, 19, 22

■ BATH

EXHIBITION
American Museum
Tel: 44-1225-460 503
Shaker: The Art of Craftsmanship. Furniture and decorative arts from the Shaker community at Mount Lebanon. Previously seen in London, the show opens today and runs until Oct 18

■ BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Emmanuel Krivine in works by Beethoven and Tchaikovsky. With violin soloist Gil Shaham; May 17, 18, 19

■ BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
The Iberians: display of 350 objects made, between the sixth and the first century BC, by a little-known civilisation thatexisted on the west of the Mediterranean bowl, between Andalucia and Languedoc. Some of these objects havenever before been removed before from the sites of their excavation. Others have been loaned by Spanish and French museums; to Aug 23

■ BOSTON

EXHIBITIONS
Museum of Fine Arts, Boston
Tel: 1-617-267 9300
A Grand Design: The Art of the Victoria and Albert Museum. North American tour of selected objects from the V&A's collection; ends tomorrow, then transfers to Ontario

■ BRUSSELS

OPERA
La Monnaie
Tel: 32-2-229 1211
● Il Ritorno d'Ulisse: by Monteverdi. New production conducted by Philippe Pierlot in a staging by William Kentridge. With the Handspring Puppet Company, at the Lunathealer; May 16, 17, 19, 20, 22
● L'Orfeo: by Monteverdi. New production conducted by René Jacobs and directed and choreographed by Trisha Brown, with designs by Roland Aeschlimann; May 16, 17, 19, 20, 21, 22

■ CANBERRA

EXHIBITIONS
National Gallery of Australia
Tel: 61-2-6240 6502
www.nga.gov.au
New Worlds From Old: 19th Century Australian and American Landscapes. 100 paintings by artists including Augustus Earle, Conrad Martens, Thomas Cole and Winslow Homer; ends tomorrow

■ CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
● Chicago Symphony Orchestra: conducted by Franz Welser-Möst in works by Brahms and Shostakovich. With piano soloist André Watts; May 16, 19
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in Beethoven's Symphonies Nos. 3 and 4; May 22

■ CLEVELAND

EXHIBITIONS
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
Gifts of the Nile: Ancient Egyptian Faience. Display of ceramics, known as faience, made of a mixture worked by the Egyptians and regarded by them as magical. Brings together over 200 works, including statuettes of kings, gods and animals, and inlaid boxes ranging over 5000 years. Includes works borrowed from public and private collections in the US and Europe; to Jul 5

■ FLORENCE

OPERA
Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiofiorentino.com
Le Comte Ory: by Rossini. New production conducted by Roberto Abbado in a staging by Lorenzo Mariani; ETI-Teatro della Pergola; May 17, 21

■ FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-332 8451
www.kimbellart.org
Ancient Gold: The Wealth of the Thracians. Metalwork is the principal archaeological legacy of the Thracian people, who occupied most of central Europe from the 5th millennium B.C. until the 4th century A.D. This exhibition features 200 pieces of gold and silver including weapons, rings, necklaces and ornaments; to Jul 19

■ GENEVA

CONCERTS
Victoria Hall
Tel: 41-22-3170017
Orchestre de la Suisse Romande: conducted by Edmon Colomer in works by Turina, Ravel and Falla. With piano soloist Alicia de Larrocha; May 20

■ HELSINKI

EXHIBITION
Museum of Foreign Art, Sinebrychoff
www.fng.fi
Luxury: Gold and Jewellery of Pompeii. 150 items including pendants, rings and bracelets, displayed to mark the 250th anniversary of the beginning of the excavations; to May 31

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed by Peter Tillberg; May 16, 21

■ HOUSTON

EXHIBITIONS
Museum of Fine Arts, the Menil Collection and the Contemporary Arts Museum
Tel: 1-713-639 7300
Robert Rauschenberg: previously seen at the Guggenheim, New York, this major retrospective spans the artist's 50 year career and includes some 400 works. The Menil Collection hosts works from the 1940s through the mid 1960s. The Contemporary Arts Museum presents important technological works, while the Museum of Fine Arts will show the most recent work; ends tomorrow

■ LISBON

CONCERTS
100 Days Festival, Expo '98
Madrid Symphony Orchestra: El Amor Brujo by Manuel de Falla; Main Auditorium, Centro Cultural de Belém; May 16, 17

■ LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
● Barenboim Beethoven Cycle: series of six concerts, with Barenboim conducting the nine Symphonies and directing the five Piano Concertos from the keyboard. With the Staatskapelle Berlin, and London Symphony Chorus; May 16, 17
● The Royal Opera: Die ägyptische Helena, by Strauss. Concert performance, conducted by Christian Thielemann. Cast includes Deborah Voigt and Thomas Moser; May 22

EXHIBITIONS
Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Anish Kapoor: one of a generation of British artists who came to prominence in the 1980s, Kapoor creates sculptures using stone, steel, and mirrored metal. This is the first major showing of his work in a public gallery in Britain, and includes massive new stone pieces; to Jun 14

National Gallery
Tel: 44-171-839 3321
● Henry Moore and the National Gallery: this celebration of the centenary of Moore's birth consists in a selection of his favourites among the Gallery's holdings; to May 31
● Masters of Light: Dutch Painting from Utrecht in the Golden Age. Brings together 74 works produced by painters working in the city of Utrecht in the first half of the 17th century; to Aug 2

Tate Gallery
Tel: 44-171-887 8000
● Bonnard (1867-1947): retrospective of the French painter focusing on more than 100 works produced between the 1890s and the 1940s. Includes landscapes, still lifes, a series of nudes depicting Marthe, Bonnard's lifelong companion, and several self-portraits; ends tomorrow, then transfers to New York
● Per Kirkeby (b.1938): continuing the series of contemporary sculpture displays, this exhibition includes paintings, sculptures and a specially constructed brick structure by the Danish artist; to May 26

Victoria and Albert Museum
Tel: 44-171-938 8500
The Power of the Poster: includes classic images from the 1880s and 1890s as well as the work of contemporary designers and agencies; to Jul 26

THEATRE
Almeida Theatre
Tel: 44-171-359 4404
The Iceman Cometh: by Eugene O'Neill. Howard Davies' production stars Kevin Spacey, Rupert Graves and Clarke Peters

Comedy Theatre
Tel: 44-171-369 1731
The Real Inspector Hound by Tom Stoppard and Black Comedy by Peter Shaffer. Double-bill directed by Greg Dolan

Lyric Shaftesbury
Tel: 44-171-494 5045
Closer: written and directed by Patrick Marber. West End transfer after a sell-out run at the National Theatre

National Theatre, Cottesloe
Tel: 44-171-452 3000
Our Lady of Sligo: by Sebastian Barry. Directed by Max Stafford-Clark, with Catherine and Sinéad Cusack

National Theatre, Lyttelton
Tel: 44-171-452 3000
Othello: by Shakespeare. Sam Mendes directs David Harewood, Simon Russell Beale and Claire Skinner

National Theatre, Olivier
Tel: 44-171-452 3000
● An Enemy of the People: by Ibsen. Directed by Trevor Nunn and starring Ian McKellen
● Flight: by Mikhail Bulgakov. Howard Davies directs a production starring Kenneth Cranham and Alan Howard

Playhouse Theatre
Tel: 44-171-839 4401
Naked: by Pirandello. Almeida Theatre production directed by Jonathan Kent. With Juliette Binoche

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts a programme of works by Rameau, Haydn and Beethoven; May 20
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts works by Knussen and Mahler; May 21

■ LYON

EXHIBITION
Musée des Beaux-Arts
Tel: 33-4-7210 1740
Matisse: 20 paintings and 40 drawings and sculptures from the collection of the Musée National d'Art Moderne; to Jun 28

■ MADRID

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-1-435 4833
From Whistler to Sickert: joint retrospective of the two painters which aims to introduce their work to the Spanish public by contrasting their differences. The exhibition will demonstrate the influence of Velázquez on Whistler as well as that of Whistler on Sickert; ends tomorrow

■ MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Der Freischütz: by Weber. Conducted by Donald Runnicles in a staging by Pier'Alli, with a cast including Kim Begley and Nancy Gustafson; May 16, 19

■ MOSCOW

THEATRE
Moscow Arts Theatre
Tel: 7-095-229 8760
Persephone: director Robert Wilson makes his Russian debut with this production, originally created for outdoor performance, about Zeus's daughter, who was abducted by Hades and made queen of the underworld; from May 18 to May 23

■ MUNICH

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
The Midsummer Marriage: by Michael Tippett. Mark Elder conducts a production staged by Richard Jones, with a cast including Alison Hagley and Philip Langridge; May 18, 22

■ NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
● New York Philharmonic: conducted by James Conlon in works by Rachmaninov and Liszt. With piano soloist Garrick Ohlsson; Avery Fisher Hall; May 19
● New York Philharmonic: conducted by Kurt Masur in Shostakovich's Symphony No. 7, "Leningrad"; Avery Fisher Hall; May 21, 22

EXHIBITIONS
Guggenheim Museum
Tel: 1-212-423 3500
www.guggenheim.org
China – 5,000 Years: comprising more than 500 works of art, ranging from the Neolithic period to the modern, with traditional works displayed at the uptown museum (to Jun 3), and the modern section at the Guggenheim Museum SoHo (to May 25). Uptown highlights include Neolithic jades and Shang and Zhou The aim of the display at the SoHo museum is to explore the meaning of modernity in China. Both parts will transfer to Bilbao in July
● Visions of Paris: Robert Delaunay's Series. Previously seen in Berlin, this exhibition focuses on the series paintings made by the artist in Paris, of subjects including Saint-Séverin and the Eiffel Tower; to May 24

Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Augustin Pajou, Royal Sculptor: retrospective devoted to works by the French sculptor (1730-1809). Includes marble statues, portrait busts, and drawings including designs for the opera at Versailles; to May 24
● Pierre-Paul Prud'hon (1758-1823): first American retrospective of work by the French court painter and draftsman. Includes 60 paintings and 100 works on paper; to Jun 7
● When Silk Was Gold: Central Asian and Chinese Textiles. Featuring 64 precious textiles from the 8th to 15th centuries, when they were of immense economic and cultural significance; ends tomorrow to May 17

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
● Alvar Aalto: Between Humanism and Materialism. Centenary tribute to the Finnish architect, designer and town planner. Includes drawings, models and photographs, many of them loaned by private collections in Europe; ends on Monday
● Chuck Close: retrospective of the American painter, comprising 90 works and ranging across his career; to May 26
● Fernand Léger (1881-1955): retrospective comprising some 220 paintings and drawings by the early modernist; to May 27

Pierpont Morgan Library
Tel: 1-212-685 0008
a.k.a. Lewis Carroll: display of memorabilia marking the centenary of the death of Charles L. Dodgson (1832-1898), mathematician, photographer, and author of Alice in Wonderland; from May 20 to Aug 30

THEATRE
Broadhurst Theatre
Tel: 1-212-239 6200
The Judas Kiss: by David Hare. Richard Eyre directs Liam Neeson as Oscar Wilde in this Almeida Theatre production, transferred from London

Cort Theatre, 138 W. 48th St.
Tel: 1-212-239 6200
Freak: John Leguizamo's autobiographical one-man show about growing up in New York, directed by David Bar Katz

Golden Theater, 252 W. 45th St.
Tel: 1-212-239 6200
The Chairs: by Ionesco. Théâtre de Complicité/Royal Court production transferred from London. Simon McBurney directs Geraldine McEwan and Richard Briers

Joseph Papp Public Theater, 425 Lafayette St.
Tel: 1-212-260 2400
The Cripple of Inishmaan: by Martin McDonagh. In which a Hollywood producer visits a remote Irish island community. Directed by Jerry Zaks

Kit Kat Klub, 124 W. 43rd St.
Tel: 1-212-239 6200
Cabaret: revival of the 1966 Kander and Ebb musical directed by Sam Mendes and Rob Marshall, in a Roundabout Theatre production starring Natasha Richardson

Longacre Theatre, 220 W. 48th St.
Tel: 1-212-239 6200
Golden Child: David Henry Hwang's 1996 drama explores the impact of Christianity upon a Chinese family. Directed by James Lapine

Royale Theatre, 242 W. 45th St.
Tel: 1-212-239 6200
Art: by Yasmina Reza. Production directed, as in London, by Matthew Warchus. With Alan Alda, Alfred Molina and Victor Garber

Theatre Four
Tel: 1-212-239 6200
The Seagull: by Chekhov. New production by the Blue Light Theatre Company, in a translation by Tom Stoppard. Cast includes Maria Tucci

Walter Kerr Theatre
Tel: 1-212-239 6200
The Beauty Queen of Leenane: by Martin McDonagh. With Anna Manahan and Marie Mullen

■ OSAKA

EXHIBITION
The Museum of Art, Kintetsu
Tel: 81-6-624 1111
Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame; The exhibition touring in Japan; to Jun 8

■ OTTAWA

EXHIBITION
National Gallery of Canada
Tel: 1-613-990 1985
Picasso: 100 works on loan from the Museum of Modern Art in New York. Spanning his career, the broadly chronological display includes paintings, drawings, prints and sculptures; to Jul 12

■ PARIS

CONCERT
Théâtre des Champs Elysées
Tel: 33-1-49525050
Orchestre National de France: conducted by Vassili Sinaïsky in works by Haydn, Saint-Saëns and Beethoven. With cello soloist Han Na Chang; May 19

EXHIBITIONS
Centre Georges Pompidou
Tel: 33-1-4478 1275
www.cnac-gp.fr
Max Ernst: Sculptures, maisons et paysages. Around 100 sculptures and paintings by the German-born artist (1891-1976), who lived and worked in Paris and the US; to Aug 17

Jeu de Paume
Tel: 33-1-4703 1250
"Je ne peins pas, je cloue mes tableaux", wrote Kurt Schwitters. This century has seen many artists forsake their brushes in favour of a variety of other implements. Burri, Fontana and Arman are some of the artists represented in this exhibition, which proposes to explore this dimension of painting; from May 19 to Aug 30

Musée d'Art Moderne de la Ville de Paris
Tel: 33-1-5367 4000
Visions du Nord: Lumière du monde, lumière du ciel. Northern Europe as seen by painters including Munch, Gallen-Kallela, Hill, Schjerfbeck and Strindberg; ends tomorrow

Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
Manet, Monet, and the Gare Saint-Lazare: places Manet's famous painting in a context provided by works by other artists and a group of related drawings, prints and photographs; ends tomorrow, then transfers to Washington

■ PHILADELPHIA

EXHIBITIONS
Philadelphia Museum of Art
Tel: 1-215-763 8100
www.philamuseum.org
Self-Taught Artists of the 20th Century: An American Anthology. 300 works by more than 30 artists, ranging from Grandma Moses (1860-1961) to Ken Grimes (b.1947); ends tomorrow

■ ROTTERDAM

EXHIBITION
Kunsthal
Tel: 31-10-440 0300
Look at me: Fashion and Photography in Britain 1960 to the present. First stop for a touring exhibition which tracks the development of fashion photography – with its emphasis firmly on popular culture rather than haute couture; from today until Aug 9

■ SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Kirchner, Sibelius and Brahms-Schoenberg. With violin soloist Sarah Chang; May 16, 17
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Mozart, Lukas Foss, Stravinsky and Berg. With soprano Renée Fleming and horn soloist A David Krehbiel; May 20, 22
● The Met Orchestra: conducted by James Levine in works by Rossini, Tchaikovsky, Tan Dun and Ravel. With violin soloist Maxim Vengerov; May 18

■ ST PETERSBURG

EXHIBITION
State Hermitage Museum
French Master Drawings from the Pierpont Morgan Library: including works by Cézanne, Delacroix, Ingres and Poussin; to Jul 25

■ TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Cleveland Orchestra: conducted by Dohnányi in works by Ives, Mozart and Brahms; May 20
● Cleveland Orchestra: conducted by Dohnányi by Bartók, R. Strauss and Dvořák; May 21
● London Symphony Orchestra: conducted by Sir Colin Davis in works by Mendelssohn and Elgar; May 19
● Tokyo Metropolitan Symphony Orchestra: conducted by James De Preist in works by Berlioz, Tchaikovsky, Sibelius and Respighi; May 17

Tokyo Opera City Concert Hall
London Symphony Orchestra: conducted by Sir Colin Davis in works by Beethoven; May 17

■ VENICE

EXHIBITION
Palazzo Grassi
Tel: 39-41-523 1680
www.palazzograssi.it
Picasso: 1917-1924. Beginning with works inspired by his designs for the theatre and the Commedia dell'Arte, this display also picks up the return to classicism which coincided with Picasso's first visit to Italy in 1917; to Jun 28

■ VIENNA

EXHIBITION
Kunstforum der Bank Austria
Tel: 43-1-533 2266
From Monet to Picasso: display of 120 works, starting with French Impressionism and ranging through the Russian avant-garde and German Modernism to 1945; to Jun 28

■ WASHINGTON

EXHIBITIONS
National Gallery of Art
Tel: 1-202-737 4215
www.nga.gov
● Degas at the Races: horse racing, like the ballet, was an important and longstanding theme in Degas' work. This display comprises 100 variations on this theme; to Jul 12
● Mark Rothko: major retrospective of the American abstract artist, including loans from Europe and Japan; to Aug 16, then travelling to New York and Paris

Arts Guide by Susanna Rustin
e-mail: susanna.rustin@ft.com
Additional listings supplied by ArtBase tel: 31-20-664 6441
e-mail: artbase@pi.net

Weekend Investor

Wall Street

Oh, how the money still rolls in

But **John Authers** believes that fund managers should be treading carefully

Fund managers are caught in a time warp. This time last year, the mutual fund industry met for its annual conference in Washington, and the predominant mood was almost fearful. The industry had fared so well, and money was gushing from small savers into the equity market at such a rate, that many feared it could not last.

All the talk was of investors' unrealistic expectations, and the danger that *the money could leave as* quickly as it entered. Inflows to equity funds alone in 1996 had reached the unsustainably high level of $221.6bn, leaving households worryingly exposed to a market which many people thought must have peaked.

Fund managers were also plagued by doubts over whether they were doing a good job. That passive index tracker funds were beating actively managed funds on performance seemed to call into question the whole basis of the industry.

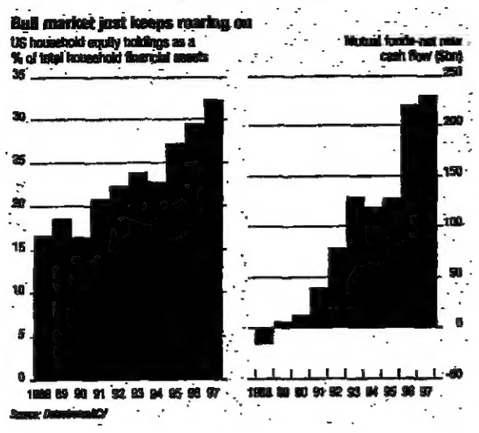
Arthur Levitt, chairman of the Securities and Exchange Commission and the industry's chief regulator, had made a speech in which he attacked the fund industry for the prose it used to explain risks to investors which, he said, "trips off the tongue like peanut butter". He also voiced the fears of many, last year, when he said: "I fear that, in a downturn, those who don't understand risk may react precipitously and carelessly."

A year on, and nothing has changed. The S&P 500 index is up about 50 per cent since that last conference. The industry managed to suck even more money into equity funds last year ($231.06bn) than it had the year before. The percentage of households' assets held in equities rose from 29.54 per cent in 1996 to 32.40 per cent – meaning that Americans have almost double the exposure to the stock market which they had at the peak of the late 1980s bull market.

Index funds whipped active managers even more comprehensively in 1997 than they did in 1996. Vanguard, which spends its energies warning investors about a bull market, specialises in index funds, and refuses to advertise its performance is now, despite itself, entrenched as the industry's most powerful company, out-selling even Fidelity Investments.

Bull market just keeps roaring on

US household equity holdings as a % of total household financial assets



Mutual funds net new cash flow ($bn)

Source: Datastream/ICI

So this year's conference was devoted, yet again, to the question of keeping investors' expectations within reason. There was a pervading sense that things could get no better.

Mutual funds are beginning to discover that their new-found power and influence within the land could bring extra responsibilities. Now that the funds hold more money than banks, some in Congress believe that funds should be forced to invest in their local communities, as banks are.

The privatisation of the rickety US social security system could also lead to tighter regulation as fund managers find themselves effectively working under contract to the government.

Levitt, again, acted as the chief messenger. Like others, he seemed struck by an air of unreality, citing a survey of small investors which found 95 per cent of Americans are satisfied with the returns on their funds – the highest score ever obtained by any product of any kind.

Over breakfast yesterday, he inveighed against fund managers, asking them to question whether they were doing enough to explain risks to their investors.

He said: "I worry that the fund industry is building unrealistic expectations through performance hype. I read the ads. I see nothing but performance, performance, performance. Why not outline clearly the impact of expenses or the nature of risks?"

This was a little unfair. Vanguard provides an example of a fund company which refuses to excite its investors but keeps shifting product, while many companies focus on general image advertising rather than their old aggressive ads proclaiming their performance.

Levitt might also have complimented the industry for its starring role last October. Strategists across the world believed that mutual fund shareholders would sell out after the New York Stock Exchange was forced to close early in the wake of the Asian crisis.

If ever there was a time for small savers to react "precipitously and carelessly", to use Levitt's own words, this was it.

Instead, they held firm, and provided the cash needed for Wall Street, and the world's other large stock markets to stage a rally.

But with the equity market now firmly into a period of trading in a range, after its growth spurt earlier this year, the fund industry knows that it has to tread carefully. As Levitt rightly says, mutual funds could be setting themselves up for "millions of disappointed investors".

Dow Jones Ind Average

Monday	9,091.52 + 38.37
Tuesday	9,161.77 + 70.25
Wednesday	9,211.84 + 50.07
Thursday	9,172.23 – 39.61
Friday	

London

Signals that make no sense

Philip Coggan looks over a confused economy

No wonder the Bank of England's monetary policy committee is split. The signals coming from the UK economy are more confusing than the plot of a David Lynch movie translated into Serbo-Croat.

On one hand, the confidence of the corporate sector was seen in a series of bids, particularly for smaller companies. On the other, a spate of profit warnings showed the margin pressures some companies are facing, given the slowdown in the manufacturing sector and the rapid growth of average earnings.

Those earnings figures – a 4.9 per cent annual increase – were, ironically, released on the same day as the Bank's inflation report, which took a more relaxed line on price pressures than recent efforts. The FTSE 100 index, duly bewildered, spent the week gyrating in a 5,900-6,000 range, closing at 5,917.8.

□□□

The question of whether equities are overvalued after the bull market of recent years obviously is the issue of the moment. So, this column has examined another approach to valuing equities relative to bonds.

The yield ratio compares the income return from bonds and equities. When the ratio is high, investors are giving up a lot of income when they buy equities; in theory, that makes it more likely that shares are overvalued. When the ratio is low, shares are assumed to be cheap.

Another way of looking at the same subject is that investors are willing to accept a lower dividend yield because they expect dividends to grow. Given an assumed level of dividend growth, one can work out how many years it should take for dividend income to outstrip the initially higher return from bonds.

In theory, this figure should be fairly constant over time. At times when the yield ratio is high, the markets presumably are counting on a higher-than-average rate of dividend growth; at times when it is low, they should be expecting dividend growth to be sluggish.

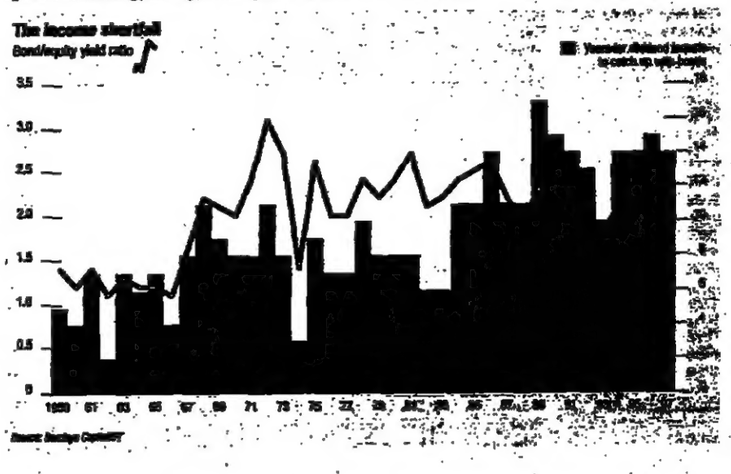
That gives us a rough and ready reckoner – the fewer years it takes for dividends to catch up with bonds, the better. After all, if you are newly retired and faced with the choice of gilts and equities, you do not want to wait until you are, say, 80, to get your desired income.

Using Barclays Capital's equity-gilt study, you can go back over time to see how long it actually took dividends to catch up with bond yields. The graph shows the numbers dating back to 1959, the first year when the dividend yield actually was below the return on bonds.

David Lynch's Eraserhead: as confusing as the UK economy

The income shortfall

Bond/equity yield ratio



Source: Barclays Capital

As you can see, until 1963, it normally took fewer than 10 years for the crossover point to be reached. The double-digit years (1968, 1972 and 1978) generally occurred when the yield ratio was high, and preceded either bear markets or recessions.

Ever since 1983, however, the crossover point has taken longer. Indeed, investors who bought shares in 1986 or later still have not seen their dividend income catch up with the bond yield on offer originally.

The graph uses the assumption that future dividend growth will be in line with nominal gross domestic product growth of 5 per cent a year (broken down, say, between 2.5 per cent inflation and 2.5 per cent real output growth). One could argue with this assumption on several grounds. First, nominal GDP growth could be higher, either because inflation or output growth improves. Second, dividends could grow faster than GDP, either because the profit share of the economy increases or because dividends improve as a share of profits. But profits cannot grow faster than GDP forever, and the UK probably is much nearer the top of the profits cycle than the bottom.

Let us stick with the assumption for the moment. How does the present market look? On a 5 per cent dividend growth rate and a yield ratio of 2.1, it will take 16 years for dividend income to overtake that from bonds. That is a longer period than at any time apart from 1989 (which was followed by the 1990 bear market).

Does that make the market overvalued? To be fair, the present figure is not much higher than the one prevailing at the end of 1994, 1995 and 1996 – and the UK stock market has done pretty well since then.

One could make the case that, throughout the 1960s and 1970s, gilt yields were too low as investors failed to anticipate those decades' high inflation rates. Rather than equities being cheap, gilts were too dear.

Since the early 1980s, however, bond investors have learned their lesson. Real bond yields have been higher, and it has taken longer for dividend growth to catch up; arguably, recent levels represent the norm, whereas the 1960s and 1970s were the aberration.

But one should not forget the abolition of the dividend tax credit. The figures quoted above use the gross dividend yield, but that is something of a fictional concept these days; no longer can pension funds reclaim the credit, and they receive their dividends net. For them, the real yield ratio is more like 2.6, and it will take more like 21 years for the crossover point to be reached – way longer than anything seen before.

Hardly surprising, then, that institutions have been switching increasingly from equities into gilts.

philip.coggan@FT.com

Highlights of the week

	Price y'day	Change on week	52 weeks high	52 weeks low	[illegible]
FTSE 100 Index	5917.8	-52.0	6166.8	4857.1	Interest rate worries
FTSE 250 Index	5797.8	+56.7	5797.8	4396.2	Takeover speculation
3i	632	+57	694½	400	Exposure to smaller companies
Abacus Polar	94	-16	216	94	Poor results
Celsis Int	44	+11½	114½	28½	Figures
Colt Telecom	2086	+655	2102½	270	Results
Enterprise Oil	604	+71	734½	510	Slumping oil price, broker comment
Games Workshop	617½	-225	880	482½	Profits warning
JBA Holdings	735	+177½	1257½	515	Bounce from weakness
MDIS	87½	+11½	90	20	Bullish trading statement
Micro Focus	875	+146	721	286½	Strong figures
Pace Micro	78½	-4	225½	23½	Double over growth
Sage Group	1410	+97½	1432½	517½	Strength in IT stocks, results
Trafford Park	179½	+20	179½	129½	Bid speculation
Westminster Hillcare	333½	-67½	412½	237½	Profits warning

Offshore managed funds and UK managed funds are listed in Section One

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Barry Riley

Smoke signals hot up

Alarm over the trends in Asia is growing apace

The first, financial, stage of a crisis often erupts in the stock exchange and the foreign currency market. When the second, political, stage breaks out in the streets, things are starting to get really serious.

Smoke and gunfire were missing from the Bank Credit Analyst conference in London this week, but the mood of growing alarm about Asian trends was unmistakable.

Last year's stage one of the Asian meltdown inflicted nothing worse than a hesitation upon western markets: the negative impact on demand proved to be much less important for US and European financial markets than the favourable implications for inflation and liquidity flows.

Now, though, the alarming depth – and likely extended duration – of the Asian crisis is becoming clearer. All this and Indian nuclear bomb tests, too.

Followers of BCA, the venerable Montreal investment monthly, are watching for signs that the moment is close for a gut-wrenching strategic switch. Will upheaval lead to opportunity? Looting and arson are contrarian signals, of a kind, just like the outbreak of the Gulf war in January 1991: buy on the sound of gunfire.

At some stage, a shift from the booming western equity markets to the desperate Asian stock exchanges will be signalled: remember that the Indonesian index has collapsed by 90 per cent relative to Wall Street in less than a year. The conclusion: the moment has not yet come, but stay close to the telephone.

One day soon, history will come back from the dead and overwhelm the "new paradigm". On the 100-year charts, US equities appear as expensive as in 1929 and more so than in 1968, the century's other outstanding selling opportunity. Overall, BCA thinks Wall Street is overpriced by a third.

Perhaps that is not really so bad: a "normal" 25 per cent correction would unwind the distortion. But US investors are still in no mood to respond to the bears. Profits may be decelerating fast – the latest earnings per share shocker came from Hewlett-Packard this week – but ordinary Americans do not believe profits can be under serious pressure when such a corker of an economic boom is still proceeding merrily.

> At some stage, a shift from booming western markets to the desperate Asian stock exchanges will be signalled

The feared torrent of cheap goods from Asia has not really arrived yet. Some say this is because money is too scarce to finance production, others that containers have been hastily diverted to more creditworthy destinations well away from Asia (no containers, no exports). Overcapacity, however, financed by excessive savings and investment, remains the key fundamental theme of the Asian crisis. Korea's car production capacity in 2000 is likely to be three times domestic demand.

Now US business, encouraged by the decline in the cost of capital, has embarked upon its own fixed-capital boom. It is not so dramatic, but has been enhanced by a technology-linked jump in the productivity of that investment, so that industry can churn out more product for less capital. This is adding up to a profoundly deflationary picture, at any rate for traded goods.

Producer price inflation has just about disappeared in most western economies.

In services, it is a different matter. In the UK, for instance, prices for services are rising at nearly 5 per cent. Both the US and UK are troubled by lopsided economies and may yet be forced to raise short-term interest rates in spite of the risk of collateral damage – to UK manufacturing industry, for instance, which was this week revealed to be in technical recession after two successive quarters of declining output.

The consequences of a US rate rise – which could just happen next week – are potentially much more serious: a dollar rate increase could be the straw that breaks the backs of the Asian tigers.

The Japanese authorities are already struggling to support the yen amid fears of a capital flight: Japanese investors bought $21bn worth of foreign securities in April.

If the yen collapses, China, which is suffering a sharp economic deceleration, would then come under enormous pressure to respond.

If devaluation further enhances China's awesome competitive power, the second stage of Asia's meltdown will be truly under way.

Healthy balance could be getting farther away. The near-panic in several parts of Asia is, if anything, generating an increase in savings, leading to still greater capital outflows, especially to the safe haven of the US dollar (and, recently, to the D-Mark, the euro-in-waiting).

All this should be very good for bonds. And if bond yields are falling, it will be hard for equity prices to go down, even if the earnings news is poor.

If low inflation in western economies turns into outright deflation, however, stock markets will crash. With the final collapse of pricing power, US companies will be unable to sustain the very high returns on equity which have underpinned the great bull market.

But will it really come to that? So far, Asia's crisis has simply had the benign effect of pouring cheap capital and cut-price raw materials into America's hot and bubbling economy.

Perhaps we will be surprised at how long this global air-conditioning mechanism will continue to work. But, at some stage, even the Americans will smell smoke.

WEEKEND INVESTOR

■ Results due next week

Company	Sector	Announcement due	Dividend (p)* Last year interim	Last year total	This year interim
FINAL DIVIDENDS					
Blacks Leisure	RtG	Wednesday	1.25	4.0	1.75
British Energy	Elct	Tuesday	4.6	12.7	4.9
Creative Publishing	Med	Thursday	-	-	-
Energy Capital Inv	OthF	Wednesday	-	6.0	-
Exploration Co	OthF	Thursday	-	-	-
Fine Art Developments	BldG	Monday	3.7	16.5	3.9
Glenmorangie	AlBv	Wednesday	3.025	13.2	3.25
Hoare Govett Smaller Co's	InTr	Wednesday	-	-	-
Hoare Govett 1000 Index	InTr	Wednesday	-	-	-
Land Securities	Prop	Wednesday	7.35	27.0	7.5
Marks & Spencer	RtG	Tuesday	3.3	13.0	3.6
Merchants Retail	RtG	Tuesday	-	0.313	-
Photobition	PPEP	Wednesday	2.8	7.0	0.6
PowerGen	Elct	Thursday	9.0	-	-
Southnews	Med	Thursday	-	-	-
Storehouse	RtG	Thursday	3.8	-	-
Style	AlMi	Monday	-	-	-
Versailles	OthF	Wednesday	0.195	0.31	0.215
Warnford Invs	Prop	Tuesday	3.438	8.688	-
INTERIM DIVIDENDS					
Aberdeen Asset Mngmt	OthF	Tuesday	1.25	3.75	-
Baggeridge Brick	BldM	Wednesday	0.934	4.375	-
Bass	Brws	Thursday	8.3	27.5	-
Berisford	Eng	Tuesday	2.0	8.5	-
Brooks Industrial	Eng	Thursday	1.5	5.0	-
Cambridge Antibody Tech	Pharm	Monday	-	-	-
Care UK	HthC	Tuesday	0.5	1.583	-
Celltech	Pharm	Monday	-	-	-
Compass Group	Brws	Tuesday	3.1	9.8	-
Concentric	Eng	Friday	2.15	7.19	-
Diploma	Dist	Monday	5.625	18.13	-
Enterprise Inns	Brws	Tuesday	1.5	3.4	-
Greenalls	Brws	Tuesday	5.7	16.71	-
Hozelock	HseG	Tuesday	3.4	11.3	-
Imperial Tobacco	Tob	Tuesday	7.2	21.4	-
Majedie Invs	InTr	Wednesday	3.75	8.625	-
Morgan Grenfell Equity	InTr	Thursday	-	-	-
Paragon	OthF	Monday	1.5	2.375	-
RM	SvSp	Monday	-	-	-
UPF	EngV	Monday	2.125	8.9	-
Wolv & Dudley Brews	Brws	Monday	8.25	23.38	-
Young (H)	Dist	Wednesday	1.75	5.75	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ♦ 2nd quarterly. ★ 3rd quarterly. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

■ Last week's preliminary results

Company	Sector	Year to	Pre-tax profit (£m)	Earnings per share (p)	Dividends per share (p)
Bank of Ireland ‡	BkNI	Mar	530.4 (385.6)	70.8 (62.0)	23.0 (17.25)
Berkeley	FdPr	Dec	3.64 (15.74)	12.53 (63.53)	5.0 (8.0)
Body Shop	RtNo	Feb	20.9 (31.7)	11.8 (9.2)	5.5 (4.7)
C & W Comms	Tele	Mar	48.8L (89.8)	- (5.4)	- (-)
Cable and Wireless	Tele	Mar	2,184.8 (1,418.9)	57.0 (30.3)	12.25 (11.1)
Calsie Int	NtIn	Mar	0.957L (5.52L)	- (-)	- (-)
DCC ‡	Diver	Mar	36.51 (35.47)	35.5 (33.34)	9.8 (8.9)
Development Secs	Prop	Dec	12.4 (4.61)	42.0 (14.5)	3.0 (2.7)
Fairbrier	BldMa	Dec	9.53 (3.22)	31.34 (9.05)	0.5 (-)
Ferguson Int	PPEP	Feb	0.854 (10.9)	1.0 (17.4)	4.5 (13.25)
Fortune Oil	OIE	Dec	4.58 (3.48)	0.26 (0.25)	- (-)
GT Income Growth	InTr	Mar†	153.5 (118.9)	4.54 (3.89)	3.4 (3.3)
Glencar Mining ‡	Extn	Dec	0.194 (1.34L)	0.15 (-)	- (-)
Greycoat	Prop	Mar	12.8 (1.3)	10.5 (1.0)	1.5 (1.2)
Hitachi Credit (UK)	Eneq	Mar	7.81 (5.61)	14.8 (13.4)	3.35 (-)
Kleinwort Emerging	InTr	Mar‡	125.2 (136.4)	- (-)	- (-)
Mercury European	InTr	Mar†	202.3 (145.0)	4.19 (3.47)	2.85 (2.2)
Montanaro UK	InTr	Mar†	174.3 (141.2)	0.8 (1.27)	0.9 (0.9)
Panther Secs	Prop	Dec	2.17 (2.16)	9.2 (8.4)	4.0 (3.25)
Rowe Evans	FdPr	Dec	9.31 (10.84)	12.64 (17.17)	4.25 (4.0)
Safeway	RtFd	Mar	340.2 (420.8)	22.1 (28.8)	14.1 (14.1)
Superframe	Eng	Dec	0.286 (0.137L)	1.83 (-)	1.0 (-)
Tribal	SpSv	Mar	6.01 (2.86)	17.78 (7.25)	6.8 (3.0)
Undervalued Assets	InTr	Mar‡	179.8 (102.72)	3.99 (2.25)	2.35 (2.25)
Value & Income	InTr	Mar†	2.46 (2.17)	5.41 (4.81)	5.0 (4.6)
Wellington Underwriting	Insc	Dec	38.7 (10.5)	34.8 (20.3)	7.2 (6.8)
Westbury	BldCn	Feb	20.8 (22.6)	23.3 (17.3)	7.365 (6.85)

■ Last week's interim results

Company	Sector	Half year to	Pre-tax profit (£m)	Earnings per share (p)	Dividends per share (p)
API	PPEP	Apr	4.91 (5.85)	5.42 (4.93)	
Abacus Polar	Dist	Mar	4.21 (4.8)	2.2 (2.0)	
Alvis	Eng	Mar	8.87 (3.06)	1.5 (1.25)	
BG ✠	GasD	Mar	524.0 (514.0)	- (-)	
BOC	Chem	Mar	180 (216)	15.4 (14.5)	
Bett Brothers	BldCn	Feb	1.51 (1.11)	2.05 (1.9)	
Broadgate	InTr	Mar†	234.0 (184.5)	- (-)	
C & B Publishing	AlMi	Feb	0.198L (0.181)	- (-)	
Car	Dist	Feb	3.04 (2.1)	1.72 (1.55)	
Century Inns	Brws	Mar	4.54 (3.55)	2.4 (2.3)	
Colt Telecom ✠	Eneq	Mar	18.0L (8.65L)	- (-)	
Commercial Union ✠	Insc	Mar	122.8 (173.8)	- (-)	
Deltron Elects	Dist	Mar	1.4 (1.04)	1.18 (1.0)	
Exeter Investment	AlMi	Mar	0.882 (0.503)	2.0 (1.3)	
F&C Eurotrust	InTr	Mar†	1.35L (0.96L)	1.8 (-)	
Fenner	Eng	Feb	3.73 (8.88)	1.9 (1.8)	
Fleming Chinese	InTr	Mar†	0.857L (0.15L)	- (-)	
General Accident ✠	Insc	Mar	130.8 (328.9)	- (-)	
Holmes & Marchant	Med	Mar	0.598 (0.461)	- (-)	
Jersey Electricity	Elec	Mar	3.88 (2.99)	23.0 (18.0)	
Jordec ‡	AlMi	Mar	0.423 (0.204)	- (-)	
MMT Computing	SpSv	Feb	4.25 (2.42)	4.5 (3.6)	
Monx & Overseers	AlMi	Mar	0.234 (0.103)	- (-)	
Micro Focus	SpSv	Apr✠	5.98 (2.86)	- (-)	
Nord Anglia	SpSv	Feb	0.443 (0.107)	1.5 (-)	
Northern Venture	InTr	Mar†	0.56 (0.19)	1.2 (1.2)	
Quadramatic	Eng	Apr	0.45 (5.89)	4.5 (4.1)	
Sage	LifAs	Mar	24.0 (19.3)	1.07 (0.97)	
Schroder Asia Pac	InTr	Mar†	68.1 (91.4)	- (-)	
Scottish Radio	Med	Mar	5.76 (4.49)	3.8 (3.0)	
Scottish Value	InTr	Mar	155.8S (135.99)	1.0 (1.0)	
Sedgwick ✠	Insc	Mar	38.3 (43.5)	- (-)	
Shaftesbury	Prop	Mar	3.32 (2.79)	0.85 (0.75)	
Tilon	BldMa	Mar	0.885 (0.773)	1.8 (1.7)	
Tomkinsons	HseG	Mar	0.962 (0.86)	3.5 (3.5)	
Vaux	Brws	Mar	15.9 (15.21)	3.85 (3.7)	
Xenova ✠	Pharm	Mar	2.96L (2.61L)	- (-)	

(Figures in parentheses are for the corresponding period.) *Dividends are shown net pence per share, except where otherwise indicated. L=loss. † Net asset value per share. ‡ Irish punts and pence. ✠ 3-month figures. ♦ US dollars and cents. ‡‡ Previous year end figure. §§ Net asset value. ¶ Pro forma results versus pro forma forecast.
© 9-month figures versus 12-month figures. ♦ 10-month figures. ★ 14-week figures.

New issues

Taylor & Francis, a 200-year-old specialist academic and scientific publisher, is coming to the market through a placing at 200p which values it at £129.3m – about 30 per cent more than expected, *writes Virginia Marsh*.

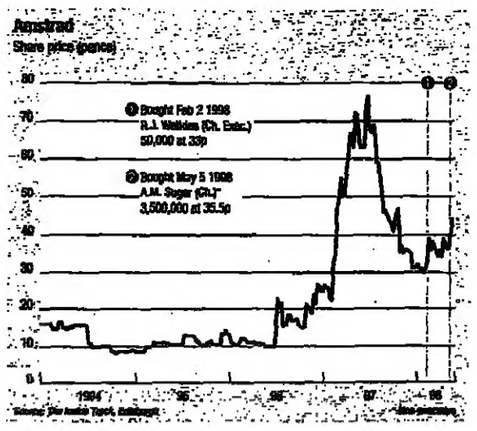
The placing, arranged by Hoare Govett, comprises 7.5m new shares, raising £13.7m net for the company, and 4.64m which are being sold by existing shareholders.

□ **Eskmuir Properties**, formed late in 1990 as a vehicle for the Laing family, met a lukewarm reception from investors when it came to the market this week. The group raised £50m through a placing of just over 22.7m shares at 220p, giving it a market value of £138.2m. It had been hoping to raise up to £70m.

Analysts, suggesting the allocations had been scaled back by 15 per cent, said the market was not keen to welcome another mixed investment property company to a crowded sector.

□ **Cobham**, which makes in-flight refuelling systems, aircraft antennae and breathing equipment for pilots, is raising £49.6m through a placing (at £10.70p a share) to help finance its $66m (£39.5m) cash purchase of Conax, a privately-owned US maker of military equipment.

Cobham's shares went up 34p, to £11.46¼, on the news. They have risen 80 per cent in the past year.



Directors' dealings

Alan Sugar, the charismatic chairman of Amstrad, bought 3.5m shares at 35.5p in the consumer electronics group he founded, *writes Ian Forrest*. He acquired 1,470,000 at 35p in March. He now holds 23m shares, which is 30 per cent of those on issue.

□ **Andy Roberts**, chairman of Vega, the computer systems consultancy, bought 30,000 shares at 342p. The shares have risen 70 per cent over six months to record levels and the group is now on a p/e of 27. Roberts' holding totals 38,000 shares.

■ Directors' share dealings

Transactions in own companies: 8th - 14th May 1998.

Company	Sector	Shares	Value £'000	No of directors
SALES				
Abbey National	Bnks	3,000	33	1
Berkeley Group	Cons	100,000	773	1
●				
British Aerospace	Eng	634,948	3302	1
Burmah Castrol	Oil	3,164	41	1
Dewhirst Group	HGood	140,000	322	1
Domestic & General	Ins	75,000	413	1
Flying Flowers	RetG	40,000	227	1
HIT Entertainment	Media	800,000	2550	1
Lady in Leisure Grp	L&H	27,000	85	1
Ocean Group	Trns	2,400	19	1
Raphael Zorn Hemsly	OthF	100,000	87	1
Smaller Companies	InvT	30,000	49	1
Abacus Recruitment	SSer	35,000	107	1*
British Aerospace	Eng	87,544	458	1*
Burmah Castrol	Oil	33,484	428	1*
Dencora	Prop	45,000	101	1*
Watermark Group	Media	50,000	23	1*
Wyko Group	Dist	500,000	810	1*
PURCHASES				
Adwest Group	EngV	12,500	18	2
Amstrad	E&E	3,500,000	1243	1
Asda Property	Prop	91,500	160	2
Bank of Scotland	Bnks	20,000	147	1
Bulgin	E&E	100,000	18	1
Carpetright plc	RetG	5,000	18	1
Eleco	Eng	50,000	16	1
Ennstone	BM&M	42,500	22	1
Exeter Preferd Capt	InvT	110,000	280	2
Gulton Group PLC	Media	20,000	35	1
Hambro Countrywide	Prop	12,500	16	1
LASMO	OIE	5,000	14	1
Manchester United	L&H	24,000	30	1
Raphael Zorn Hemsly	OthF	95,000	82	1
Reed Exec.	SSer	24,000	40	1
Wace Group	PP&P	125,000	48	1
Wickes	RetG	8,572	30	1

Companies must notify the Stock Exchange within five working days of a share transaction by a director. This list contains all transactions (listed and Aim), including exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange. Shares traded are ordinary, unless otherwise stated. ‡‡= §§=✠=.

Source: BARRA The Inside Track, Edinburgh, 0131-473 7070

Bids and deals

BMW, the German motor manufacturer, attacked the $430m bid by rival **Volkswagen** for **Rolls-Royce Motors** but said it would neither withdraw nor increase its own $340m bid for the UK luxury car-maker. **Vickers**, the UK engineering group that is selling R-R, has recommended that shareholders vote for the VW offer when the two are put forward at an extraordinary meeting on June 4.

□ **PPG Industries**, the world's largest maker of industrial and automotive paints, confirmed it was considering a joint bid for **Courtaulds** with **Donaldson, Lufkin & Jenrette**, the US investment bank.

Shares in Courtaulds rose 9p to 473p – above the 450p level of **Akzo Nobel**'s £1.83bn agreed bid for the UK coatings, fibres and chemicals group.

□ **Pearson**, the media company that owns the Financial Times, has linked with **Hicks Muse Tate & Furst**, one of the largest leveraged buy-out funds in the US, to bid for **Simon & Schuster**, the US publisher being sold by its parent group **Viacom**.

It is thought the two have submitted a bid of about $4.5bn and that, if successful, Pearson would keep only the US group's educational publishing operations.

Virginia Marsh

■ Current takeover bids and mergers

Company bid for	Value of bid per share	Bidder price	Pre bid price	Value of bid (£m)	Bidder
Argos‡	880*	649	442	1.87bn	GUS
Barlows	68	60½	62½	32.84	Thd. Park Este
Bluebird Toys	116†	115	85	48.26	Guinness Pt Grp
Bluebird Toys	111*	115	114½	46.18	Mattel
British Dredging	193.8*	191½	184½	33.88	Grafton Grp
Brunner Mond	190*	186	179	144.59	Soda Ash Invs
Capitol Grp	175*	168½	140½	21.35	Chemex Invs
Chemical Design ‡	115	95	110	7.59	Oxford Molecular
Coda‡	294	177	164½	58.71	Baan Co.
Courtaulds	450*	472½	442½	1.83bn	Akzo Nobel
EW Fact	91	85½	61½	16.83	Nord Anglia Ed
Edge Props	244	244	205	129.81	Grantchester
Energy Group	820*	840½	754½	4.27bn	PacifiCorp
Energy Group	840*	840½	776	4.38bn	Texas Utilities
Eurotherm	467	458	348½	424.97	Siebe
Fitzwilton ‡	58*	41½	41½	137.17	Stonewarth Inv
General Accdnt(♦)	(♦)	1318	1455	14.1bn	Comm. Union
General Cable	202§§	194	157	720.298	TeleWest Comm
Gibbon Grp	250*	245	242½	26.5	Sun Chemical Grp
Hambro Insurance	132*	128½	126	82.96	CGIC Wd Gundy
Hambros(✠)	185*	292½	280	428.0	Investec Grp
Home Counties ‡	560*	580	552½	57.12	Eastern Cables
How Grp	105	104½	103½	44.31	Tilbury Douglas
Jeyes Group	272	254	162½	55.76	RWP Intl.
More Group ‡	1042½*	1112	834	433.68	Clear Channel
More Group	1110*	1112	1122	461.76	Decanx
Oliver Ashworth	175*	171½	128½	34.12	C.de St-Gobain
Olives Property	40	41	33	25.40	Hemingway Props
Spandex	325*	317½	316½	47.45	Gerber Scien.
Streamline Hldgs	302	294	270	187.24	Jarvis
Tele-Cine Cell	80*	77½	68½	9.92	Todd Europe
UK Estates	27*	28	25½	10.5	Property Equity
Usborne	25*	24½	21	10.7	Thompson Agms
Vero Group	192*	187½	119½	115.39	Applied Power
Vero Group	170*	187½	172½	102.17	Pentair
Whitecross ‡	150*	147½	122½	7.2	Sector Wish

Prices in pence unless otherwise indicated. *All cash offer. §For capital not already held. ‡ Unconditional. **Based on lapsing prices 155/98. §§Shares and cash. † Cash alternative. (♦) Merging in form CGU. GA shareholders to receive 1233 new shares in the combined group for every 1000 GA held. (✠) Subject to demerger. Shareholders will then receive 15p a share from Insurance Services business and 107p from the Countrywide business. (✠) Irish currency.

■ Rights issues

■ Offers for sale, placings & introductions

Ambient Media Corp have raised £9m through a placing on the AIM at 90p a share. Taylor & Francis is being placed at 200p a share valuing it at £129.3m

In the Pink

Spy cameras, mad cows and expensive rules

Governments have two sets of values when it comes to spending money on safeguards, argues **Brian Reading**

Brian Reading is a director of Lombard Street Research

How do beef ribs and spy cameras differ? Beef ribs kill, claims the UK government. Spy cameras save lives, say the police. It is interesting to compare the economics of each.

Spy cameras, installed on roads, cost £30,000 each, which seems a bit steep. They also cost £8,000 a year each to maintain. At present, there are 2,000 of them on Britain's roads, only a quarter of which are working.

The Chief Police Officers' Association has been studying experience in the Australian state of Victoria. Roads there have been saturated with spy cameras. This has halved the number of people killed and injured in crashes. Put spy cameras at all the UK's 16,000 accident black spots, say the police, and road deaths and injuries might similarly be halved. (Or perhaps not, because there could be a public outcry and extensive vandalism.)

Let us assume they are right. It would cost £430m to install the cameras and £128m a year to operate them. Road deaths total 3,500 a year, so up to 1,750 lives might be saved. The capital cost per life saved over a decade would be £24,000, and the annual running cost £73,000 a life. This ignores the savings to the health service and economy of the 75,000 people who otherwise would have been injured each year.

Compare these figures with the ban on the sale of beef ribs. In December, the Spongiform Encephalopathy Advisory Committee warned the government that there was a one in 20 chance of one case of CJD in 1998 caused by eating beef on the bone.

Thus, while 70,000 people might die on Britain's roads in the next 20 years in the absence of more spy cameras, only one person might die through the sale of beef on the bone.

There is no way of knowing exactly how much the ban costs UK farmers. It has been put as high as £1bn. But if it is only half this amount, the cost of saving one life comes to £500m. How can a government jib at spending £420m to save 17,500 lives over the next decade, yet ban the sale of beef on the bone at a cost of £500m to save only one?

> It should be mandatory that any act of parliament or official regulation be accompanied by an estimate, however uncertain, of the likely costs to consumers and producers

The answer seems obvious. It has one set of values when spending taxpayers' money and a different set when the cost falls on others.

It plays a similar game with existing spy cameras. The police have to pay the £8,000 a year it costs to maintain them. The government gets, and keeps, the proceeds from speeding fines. That is why three-quarters of existing cameras do not work.

Most governments are the same. The US applies stringent building regulations to ensure access for handicapped people. It has been calculated that they cost business more than it would cost to provide 24-hour help, one on one, for every handicapped person.

It is possible the handicapped would not want such constant attention. But the point remains. Government regulations cost money.

While policies which require public spending are costed scrupulously, no effort is made to cost new laws and regulations. It should be mandatory that any act of parliament or official regulation be accompanied by an estimate, however uncertain, of the costs it was likely to impose on consumers and producers. This might help to prevent the mad politician disease which was to blame for the beef ban.

The next step would be to try to change laws in a way that cost nothing but, similarly, showed big returns. In Britain, cyclists are banned from riding on the pavement. In Tokyo, they are not, and mostly do.

The relative speed of cyclist and pedestrian normally, but not always, is less than the relative speed of cyclists and cars. If UK cyclists behaved in the considerate way that Japanese do, the result of lifting our ban would save accidents. It is a big if, but I will return to this later.

Another costless measure would be to allow passing on the inside on motorways. It is less dangerous than changing lanes and it is also more efficient.

The classic example of a policy change which would save, and even make, money is to legalise drugs, the state monopolising their sale. Forget the false morality of those opposed to legalisation because of the harm that drugs do. The issue is whether they would do less or more harm if available legally.

Banning drugs, like prohibition in the US, does more harm than good. It creates profits from pushing drugs that criminals are only too willing to seize. The more the government spends trying to reduce drug trafficking, the greater the profit and the more criminals are attracted to the trade. This is why smoking marijuana is on the increase while cigarette smoking is declining.

But back to cyclists. A minority would be a menace on the pavements, but most of them are already. Equally, there would be an outcry against saturation by spy cameras. But behaviour can and does change.

Society sets its own codes, the latest of which is called being "politically correct". Most political correctness is nauseating conformity to a neurotic minority's demands. Yet, surely the idea of much safer roads saving thousands of lives could be sold to the public. After all, drink-driving laws have been.

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FT WEEKEND

True Fiction / **Jurek Martin**

Boldly gone to a new Enterprise zone

As my old friend, Kermit, used to sing, "It's not easy being green." And he was just a frog on a children's television programme. It's far worse, believe me, if you're a real alien, not just some kind of immigrant being harassed at airports because you look foreign, but a genuine bona fide creature from what you earthlings call outer space.

I know because I'm one. Actually, if you're interested, I don't have many problems at national borders because I can reassemble myself in any form known to man – and a few others you could not even guess at. Also, you learn from experience, like not trying to get into Britain disguised as a dog, which I'll tell you about some other time.

What's really got my goat – and what brings Kermit back to mind – is this new book I heard about and ordered through the IBS (the intergalactic bookshop). Its point was that *Star Trek* was, from its beginning in the 1960s and in all its many subsequent manifestations, a vehicle for the promulgation of racial and sexual discrimination.

Now I know this can't be true because I've been on the bridge of the Enterprise more times than I've had hot dinners. Mostly I was hitching rides from one planet to another, but Kirk never knew I was there because his scanners and sensors could never pick me up. I was, if you like, a fly on the wall – a disassembled collection of superatomic particles would be more accurate – and there was nothing I missed, not even the Romulan brandy if they left the bottle open in the wardroom.

I won't deny there was something a little pat about the composition of the Enterprise crew. Yes, Kirk was a white American male, as was McCoy, the doctor, while Spock, his number two, was half-Vulcan and therefore some kind of superhuman being, viz the Vulcan mind meld, a useful technique, though crude by my standards.

But it was slightly ahead of its time, even for the 1960s, to have a black woman, Uhura, as communications officer, and a Russian and an Asian allowed to fly the Enterprise when the cold war was at its height and Japan still only made third-rate Toyotas. And the joke character was a Scotsman – a nice touch.

But they had the sort of humanistic values that I, as a post post-modernist even then, rather liked. A lot of Klingons did get zapped and phased, but violence, à la Quentin Tarantino, was normally the last resort, not the first, and the Klingons asked for it most of the time. They just needed a bit of acculturation, as the social scientists now call it.

And Kirk and his crew did accept that some of those aliens (ie me, if they'd known I was there) were of a higher intelligence, worth trying to understand. I mean Kirk even tried to reason with the Gorn, a pretty offensive kind of giant lizard from another galaxy whom I'd once tried to civilise, and then refused to kill him after knocking him out with a home-made gun.

But this, I now read in this new book, was all a smokescreen, hiding the facts that Kirk, a notorious lecher, drew the line at chatting up Uhura and that the Klingons were "black hats" as a metaphor for not giving them actual black skins. And one of the nastier villains, Khan, used to be an Asian warlord during the Eugenics Wars at the turn of the third millennium when he could just as well have been Caucasian, like, say, Thatcher in her second coming, as your history books will reveal.

And no woman gets anything other than a supporting role, mostly supporting Kirk in the sack. Spock had no interest in sex, which is not surprising given that Vulcan sexual mores forced his father to marry a human.

Some of the later series have changed this a bit, even with a woman starship commander, but I put that down to the political correctness that had become prevalent.

I'm not against affirmative action. We have similar laws in our intergalactic federation which have worked well, though our lawyers – and what a picky overpaid lot they can be – and our politicians are forever trying to take the guts out of them. But, then, we've got 17 defined sexes and people of every size, shape and colour, which doesn't count the genetically engineered chameleons, so our problems are a little bit more complicated, as we discovered when we introduced our common currency, the quark, and then had to replace it with gold.

No, my real problem with this book is it does not understand the demands of travel in space and time. After all, the mission statement of the Enterprise was "to boldly go where no man has gone before", which is pretty noble if you forget the split infinitive and which, by and large, was fulfilled. This meant that Kirk and his crew, working flat out every parsec, became creatures of space, not earth. I know you cannot remove all recidivist tendencies (like sex and race) but what with being transported at warp speed and with all the anti-matter flying about and the transponders up, the shields down and the phasers on stun, they never had much time to dwell on them. Believe me, I know, I've been there.

Arcadia

Death and life in a country graveyard

Hugh Dickinson pens a modern-day eulogy

English churchyards are fascinating places, quiet oases in a desert of frenetic activity among the living.

I was once responsible for a churchyard in the Midlands. It was tucked comfortably like a duvet round a small church in a hamlet. The tiny village was set in a triangle of green fields cut off by two main roads and a new motorway. On all sides, day and night, the thrum of traffic hung in the air like the hum of bees in the lime trees on June afternoons. At the apex of each corner was a large town stretching out tentacles of housing estates along the busy roads. But so far, the little triangle of rural England remains inviolate.

The path across the fields to the church was a favourite walk for the town-dwellers. One day, I sat down beside an elderly man leaning his chin on the top of his walking stick and looking thoughtfully at the gravestone ahead of him.

"I like to come here," he said, after a comfortable silence. "There is so much going on. Not just the voles and butterflies and beetles. I sometimes have a feeling that if you put a stethoscope to one of those there gravestones you should be able to listen in on a buzz of conversation going on down there."

There was more silence. "I dare say it won't be too long before I'll be joining in myself. It'll be interesting to hear their stories. Now George Albert, there..." He pointed with his stick. "1860. He probably saw the Duke of Wellington when he visited here. A lot of history down there. A lot of England."

Many of the headstones were so worn that they were only legible when the sun fell at a steep angle and cast sharp shadows into the incised letters. It was my task to ensure the place was kept tidy, but not too tidy or the conservationists complained about the destruction of habitat. Nor should it be so untidy that relatives of the departed complained about disrespect for their loved ones.

A nice balance, so I often did the mowing myself. In any case, using a really sharp scythe is a deeply satisfying skill.

Mowing among the gravestones inclines a man to think about his own mortality and the fragility of life. Over there, in the newly fenced area, the graves are in orderly rows like beds in a ward. I used the motor mower between the shiny marble slabs to keep green and trim the coverlet of turf around Agnes, Beloved Wife and further back George and Henry, both of whom I knew.

And there's the Major who drank his pint of cider and did recitations at the harvest supper. I buried him; and little Rachel who drowned in the garden pool just after she learned to walk. I buried her. And Gwen, old Gwen who lived a widow 60 years ("I miss him still every day") and didn't quite hang on long enough to get her message from the Queen. At 99 years and 5 months I buried her, too.

But here in the old part, I used the scythe among the 17th and 18th century headstones. Farmers and labourers and squires all jumbled and decaying, their names no more than marks in the weathered stone. The long grass fell to the wicked blade and lay where it fell mounded over unmarked graves. The scent of it filled the summer air.

I paused to whet the curving blade and lean on the handle. All these human lives. A thousand years of human corpses into this small grassy space. No. More. The Romans buried their dead here and the Belgic tribes before them.

The children – so many children – hardly awakened to the sparkle of the world. Sophia 3. Amy 7 years. William 11. Beautiful infants with dreams and bright eyes; knaves and idiots, soldiers and scholar parsons, all there together. No wonder the ground is higher here.

Beyond them in the darkness of time, generation after generation – hundreds of thousands of short-lived human beings who carried my genes in their loins and like me have looked up at the sky on winter nights and felt their hearts swell to bursting with the mystery and beauty and grief of it all.

Down there in the hollow, the archaeologists found a burial urn some years ago: a jar with the bones crouched in it as if cowering from the hissing blade of time. What did they think, I wonder, as they interred him in his little space capsule? That one day he might wake again? That somewhere a shadow of his self still drifts on a subterranean wind? That his spirit has become a star? Perhaps.

I have walked through here on frosty winter nights under the brittle constellations and thought that every human being who has ever lived, or ever will, could have his or her own private star. The prodigality of creation is overwhelming. More stars than all the grains of sand on our shores.

Cosmologists tell us that at the end of time all the galaxies will fall back into the central singularity from which they first exploded. Will there be the same ingathering of human souls? Stars and souls hurtling back to the Central Singularity.

It's hard to imagine winter in July. I give the blade a final stroke with the whetstone and bend my back. The long grasses and the poppies and moon daisies among them fall in even rows on the mounded earth.

The scent of new-mown hay rises on the air. It is summer and I am alive. Soon I must drive down to the superstore to push a shopping trolley around for a while among the living.

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Metropolis

Invasion of the Bodice Snatchers

Savannah emerges as an enchanted ghost town for **Nigel Andrews** with a hint of Hitchcockian menace

This was the bathroom, that was the kitchen. Those were the slave quarters, this was the guest bedroom. And that – we are ushered towards a pillared promontory, beyond the French windows, which is supported on giant stone ostrich feathers – was the balcony from which the Marquis de Lafayette addressed the people of Savannah. We all oohed, and some of us even aahed.

There were more rooms and balconies; more invocations of famous people; then finally the buxom guide with the Georgia accent closed our tour of the historic Owen-Thomas House – "finest example of Regency architecture in America" states the brochure – with a grand *valete* to a time and society. "Gracious livin'!" she intoned so the whole Historic District could hear. "Gahhn with the wind!"

And here is the time-warped town to prove it. If you haven't seen Savannah, you haven't seen the South. Even Hollywood is paying tribute to the city's fragrant-with-history charms in two movies: Robert Altman's *The Rainmaker*, based on Savannah habitué John Grisham's legal thriller, and Clint Eastwood's film of John Berendt's bestselling non-fiction novel *Midnight in the Garden of Good and Evil*.

Berendt, a resident, took the lid off Savannah, suggesting that its genteel quasi-European exterior concealed murder, racism, political skulduggery and sex. Yet somehow – as the book also acknowledged – none of these seems to lower the place's extraordinary, elevated tone.

The first planned city in America, it was founded in 1733 by General James Oglethorpe: arriving with a band of English settlers, he decided to lay out a town of 20 one-acre squares. Then 140 years later another general, Robert Tecumseh Sherman, made the city famous by sparing it from the torch. He sent a telegram to President Lincoln offering Savannah as a Christmas present, before moving on to incinerate South Carolina.

This is one of those "Did you know that...?" towns: Did you know that John Wesley lived, preached and wrote the first Church of England hymnal here? That Juliette Gordon Low founded the Girl Scouts movement here? (Perhaps as punishment, she lived in the ugliest house in town.) That writers Conrad Aiken and Flannery O'Connor had homes here? And – most monumental of all – that the bench scenes in *Forrest Gump* were filmed here in Chippewa Square? Do not look for the bench today. It was a Paramount prop.

Savannah, though, is more than the sum of its historic parts, or if we believe Berendt, historic parties. (Scarcely a chapter goes by in his book without some soirée rounded off with music, poetry or gunshots.) I found the city at once bewitching and macabre, an enchanted ghost town.

At times it can be Hitchcockian. As you roam the gorgeous interchangeable squares each with its proprietary statue – whose grey-white encrustations prove that pigeons do not discriminate between Methodism, Girl Scouts and American generals – you keep passing the same citizens. Or so you would swear. The same woman pushing the same pram. The same elderly jogger panting out "Hello". The same gay couple taking a morning constitutional. It is like *Invasion Of The Body Snatchers*, only with charm and class.

Finally, when you take the weight off your wanderlust by sinking into a coffee house, you are accosted by a kind of interchangeable waitress. "Hello, whair're you from?" she melodises loudly. "Ohh London, ah love London." Like everyone in America, or at least the South, she has been there or knows people who have.

There is something nice but edgy, welcoming but a little menacingly over-intense, about southerners and especially Savannahans.

So it came as no huge surprise when I read in Berendt that the town once registered the higher per capita murder rate in America. *Midnight in the Garden of Good and Evil* is itself based on a famous slaying. One night in 1981, Mercer House, a porticoed, Venetian-windowed dream once lived in by the family of songwriter Johnny Mercer, echoed to gunfire and a young man's death. The wealthy house-owner was tried four times, in a case that ended in his own death, though not at the law's hands.

I was equally intrigued, or more, by a double-death that took place in a house just round the corner from my café. The waitress told me about it. In February 1901 11-year-old Conrad Aiken – then a mere gleam in the agenda of 20th century poetry – heard shouts and a double gunshot and ran to his parents' room to find they had shot each other dead. Reasons unknown.

As I looked at the Aiken home at 226 Marshall Row I reflected, not entirely frivolously, that the place *could* drive you to murder. Like the parent town, the house has the sinister perfection of a museum piece. Dr and Mrs Aitken undoubtedly had their personal reasons for self-extinction; but it cannot have helped to live in so spooky and over-neat a human habitat as Savannah.

Out of death and decay, as we know, comes life. And Savannah's famous restoration movement, which began saving the city from bulldozers that had razed a third of the Historic District by the 1950s, *began* with the Aiken home. It then went on to buff up 2½ square miles containing some 1,000 homes.

Here is a hint, though. If Savannah starts to feel suffocating, as it can, drive up the coast to the little town of Beaufort in South Carolina. Historically it has almost as much claim to your attention as Savannah.

There are white antebellum mansions shaded by moss-dripping oaks. (The oldest house goes back to 1717.) And although *Forrest Gump* did some filming here too, neither Hollywood nor the heritage movement has yet moved in to embalm, beautify and museumise.

Clone No 1231: 4 Page 1 of 5
Page 1 of 5 clone only